H.R. 5865, THE AMERICAN MANUFACTURING COMPETITIVENESS ACT OF 2012, AND H.R. 5859, A BILL TO REPEAL AN OBSOLETE PROVISION IN TITLE 49, UNITED STATES CODE, REQUIRING MOTOR VEHICLE INSURANCE COST REPORTING

HEARING

BEFORE THE

SUBCOMMITTEE ON COMMERCE, MANUFACTURING, AND TRADE

OF THE

COMMITTEE ON ENERGY AND COMMERCE
HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

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H.R. 5865, THE AMERICAN MANUFACTURING COMPETITIVENESS ACT OF 2012, AND H.R. 5859, A BILL TO REPEAL AN OBSOLETE PROVISION IN TITLE 49, UNITED STATES CODE, REQUIRING MOTOR VEHICLE INSURANCE COST REPORTING

FRIDAY, JUNE 1, 2012

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COMMERCE, MANUFACTURING AND TRADE,
COMMITTEE ON ENERGY AND COMMERCE,
Washington, DC.

The subcommittee met, pursuant to call, at 9:37 a.m., in room 2123, Rayburn House Office Building, Hon. Mary Bono Mack (chairman of the subcommittee) presiding.

Members present: Representatives Bono Mack, Blackburn, Harper, Lance, Cassidy, Guthrie, Olson, Pompeo, Kinzinger, Butterfield, Gonzalez, Rush, Schakowsky, and Sarbanes.

Staff present: Paige Anderson, Commerce, Manufacturing, and Trade Coordinator; Gary Andres, Staff Director; Charlotte Baker, Press Secretary; Michael Beckerman, Deputy Staff Director; Kirby Howard, Legislative Clerk; Brian McCullough, Senior Professional Staff Member, Commerce, Manufacturing, and Trade; Gib Mullan, Chief Counsel, Commerce, Manufacturing, and Trade; Shannon Weinberg, Counsel, Commerce, Manufacturing, and Trade; Michelle Ash, Democratic Chief Counsel, Commerce, Manufacturing, and Trade; Felipe Mendoza, Democratic Senior Counsel; and Will Wallace, Democratic Policy Analyst.

OPENING STATEMENT OF HON. MARY BONO MACK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mrs. BONO MACK. The subcommittee will please come to order. Good morning, all.

Last year when I became chairman of this subcommittee, I encouraged my colleagues to join me in an effort to make made in America matter again. Since then, we have had hearings, forums and some really great discussions on ways to keep American jobs and create new American jobs. Now it is time to roll up our sleeves and to do our job and pass legislation which will help our economy to grow and prosper in the years ahead.

The Chair now recognizes herself for an opening statement.

Throughout our Nation's long history, a growing and robust manufacturing sector has helped to make America great. It has been a driving force in our economy since the Industrial Revolution. But as our Nation has moved from the atomic age to the space age to the information age, manufacturing has not kept up, losing nearly 6 million American jobs since the beginning of the 21st century.

Aging, rusting and abandoned factories litter the U.S. landscape. Statistics show the manufacturing sector was the hardest hit in terms of job losses during the Great Recession. While manufacturing accounts for just a tenth of our Nation's jobs, manufacturing suffered a third of our Nation's job losses. We have a chance now to reverse this trend, and I applaud the hard work of Mr. Lipinski and Mr. Kinzinger in developing a bipartisan plan for improving manufacturing in the United States.

The American Manufacturing Competitiveness Act of 2012, H.R. 5865, calls for two presidential reports to Congress outlining a strategy for promoting growth, sustainability and competitiveness in the manufacturing sector. The reports are due in April 2014 and in 2018.

The act establishes the American Manufacturing Competitiveness Board, consisting of 15 members, five from the public sector, including two Governors, and 10 from the private sector. The five public appointments are made by the President while the 10 private sector members are appointed by the House and Senate. The Board would be co-chaired by the Secretary of Commerce and one of the private sector members.

The duties of the Board are, one, to advise the President and Congress on manufacturing issues; two, conduct a rigorous analysis of the manufacturing sector; and, three, develop a national competitiveness strategy which would be made available for public comment and submitted to the President. The Board will then develop and publish for public comment a draft manufacturing strategy based on its analysis and any other information the Board determines is appropriate. This strategy will include short-term and long-term goals for improving the competitiveness of U.S. manufacturing as well as recommendations for action.

The second bill before us today, H.R. 5859, repeals an obsolete provision in the United States Code requiring motor vehicle insurance cost reporting. I also want to commend Mr. Harper and Mr. Owens for their bipartisan work on this legislation.

Here is the problem: In 1993, NHTSA issued a final rule requiring new car dealers to make available to buyers a booklet containing the latest information on insurance costs. The information is updated by NHTSA annually based on date from the Highway Loss Data Institute. The information required by this regulation is rarely sought by consumers and its value is highly questionable. Insurance premiums are based primarily on factors that are unrelated to the susceptibility of damage to a particular vehicle, including the driver's age, driving record, location and miles driven. Additionally, a recent survey of 815 members of the National Automobile Dealers Association reported 96 percent of its dealers have never been asked by a customer to see the insurance cost booklet that is at issue.

Clearly this is yet another example of where the cost of a Federal regulation outweighs its potential benefits. As a nation competing in a tough global economy, we simply can't keep doing business this way.

America is at an important crossroads right now. One direction, lined by job-killing regulatory hurdles, a punitive Tax Code and indecisive political leadership, will lead ultimately to a further erosion of our manufacturing base and lost prosperity for future generations of Americans. The other direction, where smart policies and smart minds eventually intersect, could lead instead to resurgence in U.S. manufacturing, putting millions of Americans back to work again and breathing new life into the beleaguered middle class.

Both of the bills being discussed today are a step in the right direction, and as chairman of the subcommittee I plan to bring them up for favorable consideration in the very near future.

Now I am happy to recognize the gentleman from North Carolina, Mr. Butterfield, for 5 minutes.

[The prepared statement of Mrs. Bono Mack and the proposed legislation follow:]

Statement of the Honorable Mary Bono Mack
Subcommittee on Commerce, Manufacturing, and Trade
Legislative hearing on H.R. ___, the "American Manufacturing Competitiveness Act of 2012," and H.R. ___, to repeal an obsolete provision in title 49, United States Code, requiring motor vehicle insurance cost reporting

June 1, 2012

(As Prepared for Delivery)

Throughout our nation's long history, a growing and robust manufacturing sector has helped to make America great. It's been a driving force in our economy since the Industrial Revolution.

But as our nation has moved from the Atomic Age to the Space Age to the Information Age, manufacturing has not kept up, losing nearly 6 million American jobs since the beginning of the 21st century. Aging, rusting and abandoned factories litter the U.S. landscape.

Statistics show the manufacturing sector was the hardest hit in terms of job losses during the Great Recession. While manufacturing accounts for just a tenth of our nation's jobs, manufacturing suffered a third of our nation's job losses.

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The duties of the Board are to: (1) advise the President and Congress on manufacturing issues; (2) conduct a rigorous analysis of the manufacturing sector; and (3) develop a national competitiveness strategy, which would be made available for public comment and submitted to the President.

The Board will then develop and publish for public comment a draft manufacturing strategy based on its analysis and any other information the Board determines is appropriate.

This strategy will include short-term and long-term goals for improving the competitiveness of U.S. manufacturing as well as recommendations for action.

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Additionally, a recent survey of 815 members of the National Automobile Dealers Association reported 96 percent of its dealers had never been asked by a customer to see the insurance cost booklet that is at issue.

Clearly, this is yet another example of where the cost of a federal regulation outweighs its potential benefit. As a nation, we simply can't keep doing business this way.

America is at an important crossroads right now. One direction – lined by job-killing regulatory hurdles, a punitive tax code and indecisive political leadership – will lead ultimately to a further erosion of our manufacturing base and lost prosperity for future generations of Americans.

The other direction – where smart policies and smart minds eventually intersect – could lead, instead, to a resurgence in U.S. manufacturing, putting millions of Americans back to work again and breathing new life into the beleaguered Middle Class.

Both of the bills being discussed today are a step in the right direction, and as Chairman of this subcommittee, I plan to bring them up for favorable consideration in the very near future.

I

COMMITTEE PRINT

SHOWING THE TEXT OF H.R. 5865 AS FORWARDED BY THE SUBCOMMITTEE ON COMMERCE, MANUFACTURING, AND TRADE, JUNE 7, 2012

112TH CONGRESS
2D SESSION

H. R. 5865

To promote the growth and competitiveness of American manufacturing.

IN THE HOUSE OF REPRESENTATIVES

MAY 30, 2012

Mr. LIPINSKI (for himself and Mr. KINZINGER of Illinois) introduced the following bill; which was referred to the Committee on Energy and Commerce, and in addition to the Committee on the Budget, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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A BILL

To promote the growth and competitiveness of American manufacturing.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "American Manufacturing Competitiveness Act of 2012".

SEC. 2. NATIONAL MANUFACTURING COMPETITIVENESS STRATEGY.

Not later than June 1, 2014, and June 1, 2018, the President shall submit to Congress, and publish on a public website, a strategy to promote growth, sustainability, and competitiveness in the Nation's manufacturing sector, create well-paid, stable jobs, enable innovation and investment, and support national security.

SEC. 3. MANUFACTURING COMPETITIVENESS BOARD.

(a) IN GENERAL.—On the first day of each of the two Presidential terms following the date of enactment of this Act, there is established within the Department of Commerce an American Manufacturing Competitiveness Board.

(b) MEMBERS.—Members of the Board shall be appointed as follows:

(1) PUBLIC SECTOR MEMBERS.—The President shall appoint to the Board—

(A) the Secretary of Commerce;

(B) Governors of two States, from different political parties, after consulting with the National Governors Association; and

(C) two other members who are current or former officials of the executive branch of government.

(2) PRIVATE SECTOR MEMBERS.—

(A) CRITERIA.—Ten individuals from the private sector shall be appointed to the Board in accordance with subparagraph (B) from among individuals with experience in the areas of—

(i) managing manufacturing companies, including businesses with fewer than 100 employees;

(ii) managing supply chain providers;

(iii) managing labor organizations;

(iv) workforce development;

(v) finance;

(vi) analyzing manufacturing policy and competitiveness;

(vii) conducting manufacturing-related research and development; and

(viii) the defense industrial base.

(B) APPOINTMENT.—The Speaker of the House of Representatives and the majority leader of the Senate shall each appoint 3 members to the Board. The minority leader of the House of Representatives and the minority leader of the Senate shall each appoint 2 members to the Board.

(c) TERMINATION.—The Board shall terminate 60 days after submitting its final report pursuant to section 4(c)(3).

(d) CO-CHAIRMEN.—The co-chairmen of the Board shall be the Secretary of Commerce (or the designee of the Secretary) and a member elected by the private sector members of the Board appointed pursuant to subsection (b)(2).

(e) SUBGROUPS.—The Board may convene subgroups to address particular industries, policy topics, or other matters and to take advantage of the expertise of other individuals and entities in matters to be addressed by the Board. Such subgroups may include members representing any of the following:

(1) Other Federal agencies, as the co-chairmen determine appropriate.

(2) State, tribal, and local governments.

(3) The private sector.

(f) QUORUM.—Ten members of the Board shall constitute a quorum for the transaction of business but a lesser number may hold hearings with the agreement of the co-chairmen.

(g) MEETINGS AND HEARINGS.—

(1) TIMING AND FREQUENCY OF MEETINGS.—The Board shall meet at the call of the co-chairmen, and not fewer than 2 times.

(2) PUBLIC HEARINGS REQUIRED.—The Board shall convene public hearings to solicit views on the Nation's manufacturing sector and recommendations for the national manufacturing competitiveness strategy.

(3) LOCATIONS OF PUBLIC HEARINGS.—The locations of public hearings convened under paragraph (2) shall ensure the inclusion of multiple regions and industries of the manufacturing sector.

(h) APPLICATION OF FEDERAL ADVISORY COMMITTEE ACT.—The Federal Advisory Committee Act (5 U.S.C. App.), other than section 14 of such Act, shall apply to the Board, including any subgroups established pursuant to subsection (e).

SEC. 4. DUTIES OF THE BOARD.

(a) IN GENERAL.—The Board shall—

(1) advise the President on issues affecting the Nation's manufacturing sector;

(2) conduct a comprehensive analysis in accordance with subsection (b); and

(3) develop a national manufacturing competitiveness strategy in accordance with subsection (c).

(b) COMPREHENSIVE ANALYSIS.—In developing a national manufacturing competitiveness strategy under subsection (c), the Board shall conduct a comprehensive analysis of the Nation's manufacturing sector, taking into consideration analyses, data, and other information previously compiled, as well as relevant reports, plans, or recommendations issued by Federal agencies, Federal advisory boards, and the private sector. Such analysis shall, to the extent feasible, address—

(1) the value and role of manufacturing in the Nation's economy, security, and global leadership;

(2) the current domestic and international environment for the Nation's manufacturing sector, and any subsector identified by the Board as warranting special study for competitiveness or for comparison purposes;

(3) Federal, State, tribal, and local policies, programs, and conditions that affect manufacturing;

(4) a summary of the manufacturing policies and strategies of the Nation's 10 largest trading partners, to the extent known;

(5) new, emerging, or evolving markets, technologies, and products for which the Nation's manufacturers could compete;

(6) the identification of redundant or ineffective government programs related to manufacturing, as well as any programs that have improved manufacturing competitiveness;

(7) the short- and long-term forecasts for the Nation's manufacturing sector, and forecasts of expected national and international trends and factors likely to affect such sector in the future;

(8) the manner in which Federal agencies share information and views with respect to the effects of proposed or active regulations or other executive actions on the Nation's manufacturing sector and its workforce;

(9) the recommendations of the Department of Commerce Manufacturing Council, whether such recommendations have been implemented, and the effect of such recommendations; and

(10) any other matters affecting the growth, stability, and sustainability of the Nation's manufacturing sector or the competitiveness of the Nation's manufacturing environment, particularly relative to that of other nations, including—

(A) workforce skills, gaps, and development;

(B) productivity and the extent to which national economic statistics related to manufacturing accurately measure manufacturing output and productivity growth;

(C) trade policy and balance;

(D) energy policy, forecasts, and developments;

(E) expenditures on basic and applied research related to manufacturing technology;

(F) programs to help small and mid-sized manufacturers become more competitive;

(G) the impact of Federal statutes and regulations;

(H) the impact of domestic and international monetary policy;

(I) the impact of taxation;

(J) financing and investment, including challenges associated with commercialization and scaling up of production;

(K) research and development;

(L) job creation and employment disparities;

(M) levels of domestic production;

(N) adequacy of the industrial base for maintaining national security;

(O) protections for intellectual property and the related policies, procedures, and law on technology transfer; and

(P) customs enforcement and counterfeiting.

(c) NATIONAL MANUFACTURING COMPETITIVENESS STRATEGY.—

(1) DEVELOPMENT.—The Board shall develop a national manufacturing competitiveness strategy, based on—

(A) the results of the comprehensive analysis conducted under subsection (b); and

(B) any other information, studies, or perspectives that the Board determines to be appropriate.

(2) GOALS AND RECOMMENDATIONS.—

(A) GOALS.—The Board shall include in the national manufacturing competitiveness strategy short- and long-term goals for improving the competitiveness conditions of the Nation's manufacturing environment, taking into account the matters addressed in the comprehensive analysis conducted under subsection (b).

(B) RECOMMENDATIONS.—The Board shall include in the national manufacturing competitiveness strategy recommendations for achieving the goals provided under subparagraph (A). Such recommendations may propose—

(i) actions to improve manufacturing competitiveness to be taken by the President, Congress, State and local governments, and the private sector;

(ii) actions to improve government policies and coordination among entities developing such policies;

(iii) the consolidation or elimination of government programs;

(iv) actions to improve government interaction with the manufacturing sector and communication regarding the effects of proposed or active government regulations or other executive actions on the manufacturing sector and its workforce;

(v) the reform or elimination of regulations that place the United States manufacturing sector at a disadvantage relative to other nations; and

(vi) actions to reduce business uncertainty, including, where appropriate, finalization of regulations applicable to manufacturers.

(3) REPORT.—

(A) DRAFT.—Not later than 150 days before the date on which the President is required to submit to Congress a report containing a national manufacturing competitiveness strategy under section 2, the Board shall publish in the Federal Register and on a public website a draft report containing a national manufacturing competitiveness strategy. At the same time, the Board shall make available to the public the comprehensive analysis required by subsection (b) and any underlying data or materials necessary to an understanding of the conclusions reached.

(B) PUBLIC COMMENT; REVIEW AND REVISION.—A draft report published under subparagraph (A) shall remain available for public comment for a period of not less than 30 days from the date of publication. The Board shall review any comments received regarding such draft report and may revise the draft report based upon those comments.

(C) PUBLICATION.—Not later than 60 days before the date on which the President is required to submit to Congress a report containing a national manufacturing competitiveness strategy under section 2, the Board shall submit to the President for review and revision a final report containing a national manufacturing competitiveness strategy, and shall publish such final report on a public website.

(D) CONTENTS OF REPORT.—The final report submitted under subparagraph (C) shall, to the extent feasible, include—

(i) an estimate of the short- and long-term Federal Government outlays and revenue changes necessary to implement the national manufacturing competitiveness strategy and an estimate of savings that may be derived from implementation of the national manufacturing competitiveness strategy;

(ii) a detailed explanation of the methods and analysis used to determine the estimates included under clause (i);

(iii) recommendations regarding how to pay for the cost of implementation estimated under clause (i); and

(iv) a plan for how the recommendations included in the report will be implemented and who is or should be responsible for the implementation.

(d) CONSULTATION; NONDUPLICATION OF EFFORTS.—The Board shall consult with and not duplicate the efforts of the Defense Science Board, the President's Council of Advisors on Science and Technology, the Manufacturing Council established by the Department of Commerce, the Economic Security Commission, the Labor Advisory Committee for Trade Negotiations and Trade Policy, and other relevant governmental entities conducting any activities related to manufacturing.

SEC. 5. REQUIREMENT TO CONSIDER NATIONAL MANUFACTURING COMPETITIVENESS STRATEGY IN BUDGET.

In preparing the budget for each of the fiscal years from fiscal year 2016 through fiscal year 2022 under section 1105(a) of title 31, United States Code, the President shall include information regarding the consistency of the budget with the goals and recommendations included in the national manufacturing competitiveness strategy.

SEC. 6. DEFINITIONS.

In this Act:

(1) BOARD.—The term "Board" means—

(A) during the first Presidential term that begins after the date of enactment of this Act, the American Manufacturing Competitiveness Board established by section 3(a) on the first day of such term; and

(B) during the second Presidential term that begins after the date of enactment of this Act, the American Manufacturing Competitiveness Board established by section 3(a) on the first day of such term.

(2) PRIVATE SECTOR.—The term "private sector" includes labor, industry, industry associations, academia, universities, trade associations, nonprofit organizations, and other appropriate nongovernmental groups.

(3) STATE.—The term "State" means each State of the United States, the District of Columbia, and each commonwealth, territory, or possession of the United States.

I

112TH CONGRESS
2D SESSION

H. R. 5859

To repeal an obsolete provision in title 49, United States Code, requiring motor vehicle insurance cost reporting.

IN THE HOUSE OF REPRESENTATIVES

MAY 30, 2012

Mr. HARPER (for himself and Mr. OWENS) introduced the following bill; which was referred to the Committee on Energy and Commerce

A BILL

To repeal an obsolete provision in title 49, United States Code, requiring motor vehicle insurance cost reporting.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. REPEAL.

Subsection (c) of section 32302 of title 49, United States Code, is repealed, and any regulations promulgated under such subsection shall have no force or effect.

○

OPENING STATEMENT OF HON. G.K. BUTTERFIELD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. BUTTERFIELD. Let me thank you, Chairman Bono Mack. To the witnesses today, thank you very much for your testimony.

Our first bill today, H.R. 5865, the American Manufacturing Competitiveness Act, would require the President with the assistance of an appointed board to conduct a thorough analysis and then publish a national strategy on how to best promote the U.S. manufacturing sector in both 2014 and 2018.

As we all know, changes in the global economy led to many job losses in U.S. manufacturing over the past 3 decades. I think we can all agree that we want a stronger manufacturing sector. Manufacturing jobs are high-quality, good-paying jobs. I am heartened that the U.S. manufacturing sector has recovered as strongly as it has from the recession with what is now 33 consecutive months of expansion. But to be truly strong in the area of manufacturing, we must plan for competitiveness in the long term. To his great credit, President Obama understands this.

The administration's manufacturing initiatives fully recognize that the future for U.S. manufacturing will only be successful if the American people are successful. Every child must have the chance to learn math and science and have a familiarity with technology, and adults must have the chance to get the education or training that will qualify them for the job that they want.

The administration has published a plan endorsed by a wide variety of private sector leaders promoting advance to high-tech manufacturing. It is Make It In America, manufacturing, extension, partnership. It aims to create public-private partnerships to encourage the development of new products that can be manufactured here in our country. And it has an ongoing campaign of reshoring, also referred to as in-sourcing, where it works with States to encourage companies that outsource jobs abroad to bring them back to the United States. These are just a few of the many manufacturing initiatives underway in the Obama administration.

Today we are discussing a proposal to add to the Federal work underway on manufacturing. A National Manufacturing Strategy as proposed by the bill before us is already a staple in several other industrialized countries around the world. If we go in the same direction, it will be worth our while to ensure that this additional effort compliments steps already being taken. I look forward to working with Mr. Lipinski and all of my colleagues to make sure that that is the case.

Our second bill today would repeal a little known provision that requires NHTSA to annually provide auto dealers with a booklet comparing the insurance costs associated with different cars consumers might purchase. As any car owner can tell you, a car that gets damaged more easily is one that is likely to carry higher auto insurance rates for its driver. But when shopping for a car it is not so easy to tell how brittle a car is just by looking at it.

As it is said, information is power and this provision in the 1972 law, the Motor Vehicle Information and Cost Savings Act, sought to give consumers that power. However, very few consumers know that this insurance cost information is available to them at the dealership and some question whether the format in which NHTSA publishes the information is actually useful. Therefore, these booklets are rarely used. These are problems that I would be more than happy to work with all of my colleagues to fix them.

We all agree that regulations that are burdensome or do not serve their intended purpose should be revisited. This bill gives us that opportunity to do so, revisit a regulation that may not be meeting its intended purpose. I hope as we do this review, we do not just assume that we must throw away the idea that it is reasonable for consumers to know what type of insurance costs they will face if they buy a particular car.

Madam Chairman, I look forward to discussing these bills. I would like to once again thank our witnesses as well as you for convening this hearing today. Thank you. I yield back.

Mrs. BONO MACK. Thank you, Mr. Butterfield.

The chair now recognizes the gentleman from Illinois, Mr. Kinzinger, for 3 minutes.

OPENING STATEMENT OF HON. ADAM KINZINGER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. KINZINGER. Thank you, Madam Chair, for the time and for your diligent work on bringing the American Manufacturing Competitiveness Act before the committee. I would also like to recognize the hard work of Gib Mullan, Brian McCullough, Paige Anderson and Shannon Weinberg Taylor.

You know, some things in Congress aren't partisan, believe it or not, and don't need to be, and this is one of those. It is an honor to work with my colleague and friend Congressman Lipinski and the other members of the subcommittee on the American Manufacturing Competitiveness Act. I think specifically of Mr. Guthrie and Mr. Pompeo.

Over the past several months in this committee we have heard about the importance of creating an environment that will allow American manufacturers to thrive in a global economy. We are on the brink of a new manufacturing renaissance in this country. The only barriers that may impede this renaissance will be government created.

I am worried about the disappearing middle class, the decline of the middle class, and I think one of the biggest drivers to the decline in the middle class has been the disappearance of manufacturing from the United States of America.

In this Congress we have rightly talked a lot about jobs and the role government can play in creating or destroying jobs. There is no sector in our economy that is providing more highly paid and economically advantageous jobs than manufacturing. This has been true since the dawn of manufacturing at the turn of the 20th century.

During an address to Congress in 1912, President Taft said that manufacturing concerns are running at their full capacity and the demand for labor was never so constant and growing. Following World War II, the United States became the world's strongest economy, and it is no coincidence that we were also the leading producer of manufactured goods in the world.

The decline of manufacturing from the 1990s until today is due in no small part to increased global competition. We must encourage an environment that will allow business to compete globally. While we may not be able to predict where the next growth sector for manufacturing will be, we should not try to implement a top-down government policy that would benefit manufacturing. We should instead insist upon a long-term strategy constructed by private sector and government leaders to focus our attention on the challenges inhibiting our global competitiveness. This is an easy but necessary step to joining together private interests and public in the process of recommending how the government can make American manufacturing more efficient, more friendly and more competitive, and we can increase the size of the American middle class by getting people back to work and bringing our overall rate of unemployment down with good high-paying jobs.

I am excited to discuss this bipartisan legislation today and am hopeful that we can work quickly to bring this legislation to a markup with broad bipartisan support. Again I would like to thank my friend Congressman Lipinski, and I yield back my remaining time.

Mrs. BONO MACK. I thank the gentleman. The chair now recognizes Mr. Harper for 2 minutes.

OPENING STATEMENT OF HON. GREGG HARPER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSISSIPPI

Mr. HARPER. Thank you, Madam Chair, and I am proud to be the lead sponsor with my good friend Bill Owen of New York as the lead Democrat of H.R. 5859, a concise one-page bill that will repeal an obsolete mandate that costs the taxpayers hundreds of thousands of dollars.

I welcome the witnesses today. I am glad to have many years of automotive retailing experience with Mr. Fitzgerald and Congressman Mike Kelly from Pennsylvania on the panels. I am also proud to have Mike as a cosponsor of H.R. 5859. He is no doubt the voice for car dealers on Capitol Hill, and I appreciate his support on this.

Since 1991, the Department of Transportation has been annually distributing by mail a document entitled Relative Collision Insurance Cost Information. This information is sent by mail to new vehicle dealers who are required to make the information available to perspective new vehicle customers upon request.

NHTSA has spent hundreds of thousands of dollars distributing this booklet over the past 21 years. While this information is of value to insurance actuaries, it has been of little to no use to consumers for whom it is primarily intended. A recent survey by the National Automobile Dealers Association confirmed what we expected. Out of 800 new car dealers polled, an overwhelming 96 percent of the dealers answered that not a single customer has ever asked to see the booklet. I would like to note here that the information will still be available and NHTSA can still provide this information to consumers on their Web site.

This simple and bipartisan bill, if passed, would show that Congress is serious about efforts to alleviate burdensome and unneeded regulations on businesses across this country. The President states that it is a priority of his administration to identify and eliminate costly, outdated and unneeded regulations, and I say Congress should lead now with H.R. 5859.

I would like to thank the chairwoman for presiding over this important hearing. Madam Chair, I would ask for unanimous consent to include a letter from the Alliance of Automobile Manufacturers in support of H.R. 5859 in the record.

Mrs. BONO MACK. Without objection.

[The letter follows:]

Alliance OF AUTOMOBILE MANUFACTURERS

Mitch Bainwol
President and CEO

May 31, 2012

The Honorable Mary Bono Mack
Chairman
Subcommittee on Commerce, Manufacturing, and Trade
U.S. House of Representatives
Washington, DC 20515

The Honorable G. K. Butterfield
Ranking Member
Subcommittee on Commerce, Manufacturing, and Trade
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Bono Mack and Ranking Member Butterfield:

I write today on behalf of the Alliance of Automobile Manufacturers (Alliance) in support of H.R. 5859, a bipartisan bill introduced by Representatives Harper and Owens, which would repeal 49 USC § 32302(c). The Alliance has a strong history of supporting consumer information programs; however, the provision H.R. 5859 would repeal is outdated and as a practical matter, appears to yield no new or especially useful information for consumers.

The Alliance is a trade association of twelve car and light truck manufacturers including BMW Group, Chrysler Group LLC, Ford Motor Company, General Motors, Jaguar Land Rover, Mazda, Mercedes-Benz USA, Mitsubishi Motors, Porsche, Toyota, Volkswagen Group of America and Volvo. Together, Alliance members account for roughly three quarters of all vehicles sold in the U.S. each year. Eight million Americans are employed directly and indirectly as a result of the manufacture, sale and repair of automobiles.

H.R. 5859 would repeal the requirement that "passenger motor vehicle dealers…distribute to prospective buyers information the Secretary develops and provides to the dealers that compares insurance costs for different makes and models of passenger motor vehicles based on damage susceptibility and crashworthiness."

The National Highway Traffic Safety Administration's (NHTSA) *Relative Collision Insurance Cost Information Booklet* has been published and distributed to dealers since 1991. The data in the booklet is not new or unique; rather, it is based entirely on the Highway Loss Data Institute's annual *Insurance Collision Report*, which is already publicly available. NHTSA does not separately review the data. The agency also points out that the data may be of limited use to consumers, noting explicitly that:

> "In setting insurance premiums, insurance companies mainly rely on factors that are not directly related to the vehicle itself (except for its value). They mainly consider driver characteristics... Therefore, to obtain complete information about insurance premiums, you should contact insurance companies or their agents directly."

The Obama Administration also proposed repealing Section 32302(c) in "technical assistance" documents it sent to the Hill last year. In justifying the proposed repeal, the Administration argued, "A prospective buyer does not need a brochure from the Federal government to obtain [insurance] information, since insurance agents are trained to provide advice on how model selection affects insurance premiums."

In short, consumers who want it, have access to clear and relevant information regarding potential insurance costs associated with particular new vehicles. The advent of the internet and other methods of comparison shopping for insurance rates have effectively overtaken a statutory mandate more than two decades old. That is a good thing for consumers, and H.R. 5859 is a rational response to an outdated requirement.

Thank you for considering the Alliance's views.

Sincerely,

Mitch Bainwol

cc: Representative Gregg Harper
Representative Bill Owens

Mr. HARPER. Thank you, Madam Chair. With that, I yield back.

Mrs. BONO MACK. I thank the gentleman. The chair now recognizes Ms. Schakowsky for 5 minutes for her opening statement.

OPENING STATEMENT OF HON. JANICE D. SCHAKOWSKY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Ms. SCHAKOWSKY. Thank you, Madam Chairman.

I am glad that this subcommittee is holding a hearing to discuss H.R. 5865, the American Manufacturing and Competitiveness Act. President Obama has overseen the most dramatic increase in employment in the manufacturing sector since the 1990s, and we must work to build upon that progress. And I want to congratulate my colleague from Illinois, Mr. Lipinski, for drafting and pushing and sponsoring this legislation as a means of strengthening Congress' commitment to American manufacturing.

A strong manufacturing base is the foundation of our middle-class. Good middle-class jobs ensure that workers earn a living wage, that families have clothes on their back and food in their stomachs, and that their children grow up in communities with good schools and safe streets. A National Manufacturing Strategy will help ensure that the goods we buy are made in America and that the jobs our economy supports are American jobs.

I don't share the same enthusiasm for H.R. 5859. That legislation would eliminate valuable consumer information at the point of sale because consumers don't request it. Well, consumers don't request the information because they really don't know that it exists. We should not be in the practice of eliminating valuable information because we do a bad job of publicizing it.

I look forward to working with my colleagues to move forward with legislation to bolster our manufacturing base and to reconsidering our actions to remove information from auto dealerships.

I yield back. Thank you.

Mrs. BONO MACK. I thank the gentlelady.

Now we turn our attention to the panel. We will have three panels of witnesses joining us today. Each of our witnesses has prepared an opening statement that will be placed into the record, and, as we all know, each will have 5 minutes to summarize that statement and their remarks.

On our first panel we have two of our colleagues, and we welcome you both, the Honorable Daniel Lipinski of Illinois and the Honorable Mike Kelly of Pennsylvania. They both represent States with histories deeply rooted in manufacturing.

We are going to go a little bit out of order and recognize Mr. Lipinski first just because we are considering the bills in that order. So with that, Mr. Lipinski, you are recognized for 5 minutes for your opening statement.

STATEMENT OF HON. DANIEL LIPINSKI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. LIPINSKI. Thank you, Chairwoman Bono Mack. I want to thank you, Ranking Member Butterfield and members of the subcommittee for holding this hearing today and for inviting me to testify.

The American Manufacturing Competitiveness Act, H.R. 5865, will bring the public and private sectors together to forge an actionable, bipartisan plan to revitalize America's manufacturing sector. I would like to thank my friend and colleague, Mr. Kinzinger, for working with me on this bill and cosponsoring this bill, and also thank Mr. Pompeo and Chairwoman Bono Mack for their work on this bill in moving it forward.

Manufacturing is critical for our Nation. It is essential for national security so that we don't need to rely on other countries for our defense. Successful manufacturing provides huge numbers of jobs. Not to pick on Facebook right now while it is down, but Facebook employs about 3,000 people. Boeing employs 172,000 Americans. Wages and benefits paid in manufacturing are one-third higher than in other jobs. Plus manufacturing has greater secondary effects in the labor market, with each job supporting five others. As a source of two-thirds of private sector R&D, manufacturing drives high-tech innovations. When we lose manufacturing due to outsourcing, we lose the ability to create the breakthrough technologies of tomorrow.

American manufacturing still has great strength and potential. It boasts the highest productivity in the world; it employs 11 million people, and produces $1.7 trillion annually. Encouragingly, U.S. manufacturing employment has increased by about half a million in the last 2 years. But after the loss of one-third of all U.S. manufacturing jobs over the past decade, we have a long way to go. This bill will help create the domestic environment that is most conducive to America's private sector taking full advantage of our strength to grow American manufacturing.

Last Congress a similar version of this bill passed the House with very strong bipartisan support, 379–38. In this Congress it has again attracted bipartisan support and backing from a variety of industry, labor and other groups. In addition, conversations with members of the subcommittee as well as committee staff have resulted in numerous beneficial changes to the bill.

To briefly summarize, the legislation creates a Manufacturing Competitiveness Board with a strong private sector and bipartisan representation. The President will appoint the Secretary of Commerce, two State Governors of different parties and two other former or current executive branch officials. Ten private sector representatives will be appointed by House and Senate leaders, three by the majority and two by the minority in each Chamber.

The Board will conduct a comprehensive analysis of the U.S. manufacturing sector, covering everything from trade issues to taxation to new markets and technologies. Based on this analysis, it will develop specific goals and specific recommendations for achieving those goals. Consolidation of government programs, regulatory reforms, improved education and training, better coordination between the public and private sectors, as well as actions taken by all levels of government, universities and stakeholders are to be contemplated under this legislation.

To promote follow-up to this strategy, the President's budget will have to state how it is consistent with the goals and recommendations of the strategy.

Finally, the first strategy is to be completed in 2014 and the second in 2018.

I want to be especially clear on one point: This legislation is not about the government dictating anything to the private sector. It is about bringing the public and private sectors together to form a bipartisan consensus plan for action that produces an environment for American manufacturing to flourish. America lost 6.2 million manufacturing jobs between 1998 and 2010. We must adopt smart policies that encourage innovation, entrepreneurialism, efficiency and investment in American manufacturing. Passing this bill would be a good start.

When I am home, my constituents keep asking me, what is Washington doing to help spur job creation? This bill can be an important answer to that question. Seventy-eight percent of Americans favor a National Manufacturing Strategy, including 74 percent of Republicans and 78 percent of independents. Now, many Americans don't think Congress listens and don't think we can work together to get anything accomplished. I hope we can get this commonsense, bipartisan bill passed and help America's manufacturers create the jobs that we need.

I look forward to answering any questions that you may have.

[The prepared statement of Mr. Lipinski follows:]

Congressman Daniel Lipinski
Opening Statement – Hearing on the National Manufacturing Strategy Act
Energy & Commerce Committee
Subcommittee on Commerce, Manufacturing, and Trade
June 1, 2012

I would like to thank Chairman Upton, Chairwoman Bono Mack, and the members of the committee for holding this hearing.

The National Manufacturing Strategy Act, now retailored as the American Manufacturing Competitiveness Act, H.R. 5865, will bring the public and private sectors together to forge an actionable, bipartisan plan to revitalize America's manufacturing sector.

Manufacturing is critical for our nation. It is essential for national security, so that we don't need to rely on other countries for our defense. Successful manufacturers provide huge numbers of jobs – while Facebook employs about 3,000 people, Boeing employs 172,000. Wages and benefits paid in manufacturing are one-third higher than for other jobs. Plus manufacturing has greater secondary effects in the labor market with each job supporting five others. And as the source of two-thirds of private sector R&D, manufacturing drives high-tech innovation. When we lose

manufacturing due to outsourcing, we lose the ability to create the breakthrough technologies of tomorrow.

American manufacturing still has great strengths and potential. It boasts the highest productivity in the world, employs 11 million people, and produces $1.7 trillion annually. Encouragingly, U.S. manufacturing employment has increased by almost half a million recently. But after the loss of one-third of all U.S. manufacturing jobs over the past decade, we have a very long way to go. This bill will help create the domestic environment that is most conducive to America's private sector taking full advantage of our strengths to grow American manufacturing.

Last Congress, a similar version of this bill passed the House with very strong bipartisan support, 379-38. In this Congress, it has again attracted bipartisan support and backing from a variety of industry, labor, and other groups. In addition, conversations with members of the Subcommittee as well as committee staff have resulted in numerous beneficial changes to the bill. I want to especially thank Representatives Kinzinger and Pompeo for their work with me on this version of the bill.

This legislation creates a Manufacturing Competitiveness Board with strong private sector and bipartisan representation. The President will appoint the Secretary of Commerce, two state Governors of different parties, and two other former or current executive branch officials. Ten private sector representatives will be appointed by House and Senate leaders – three by the majority and two by the minority in each chamber.

The Board will conduct a comprehensive analysis of the U.S. manufacturing sector, covering everything from trade issues to taxation to new markets and technologies. Based on this analysis, it will develop specific goals and specific recommendations for achieving those goals. Consolidation of government programs, regulatory reform, improved coordination between the public and private sectors, as well as actions by all levels of government, universities, and stakeholders are all contemplated under this legislation. The President's budget must state how it is consistent with the goals and recommendations of the strategy. The first strategy is to be completed in 2014 and the second in 2018.

Let me be especially clear on one point; this legislation is not about the government dictating anything to the private sector. It is about bringing the public and private sectors together to forge a

bipartisan, consensus plan for action that produces an environment for American manufacturing to flourish.

America lost 6.2 million manufacturing jobs between 1998 and 2010. We must adopt smart policies that encourage innovation, entrepreneurialism, efficiency, and investment in American manufacturing. Passing this bill would be a good start.

When I'm home, my constituents keep asking me, as I'm sure yours do also, "what is Washington doing to help spur job creation?" This bill can be an important answer to that question. 78% of Americans favor a National Manufacturing Strategy, including 74% of Republicans, and 78% of Independents. Now many Americans don't think Congress listens and don't think we can work together to get anything accomplished. I hope we can get this common sense, bipartisan bill passed, and help America's manufacturers create the jobs we need.

I look forward to answering any questions you may have.

Mrs. BONO MACK. Thank you very much, Mr. Lipinski.

Mr. Kelly, welcome. You are recognized for 5 minutes.

STATEMENT OF HON. MIKE KELLY, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF PENNSYLVANIA

Mr. KELLY. Thank you, Madam Chairman Bono Mack and Ranking Member Butterfield.

I really appreciate having the opportunity to testify. I think it is so rare in Washington that people that actually do what you are trying to regulate get a chance to come to the table and talk about it a little bit. I have grown up in it and it is part of my DNA. We started our business in 1953 and employ about 110 people.

My view on H.R. 5859 is maybe a little bit different than some other folks in government, because dealers are actually the ones that have to provide this material and they are under penalty of law to provide it and there are great consequences financially if you don't.

Now, when I talk about my experience, I am talking about an automobile dealership where I actually sit on the floor, I talk to people all the time. We get somewhere between 800 and 900 people a month that come into our dealership, so about 10,000 people a year come into the dealership to talk about buying a new car. Now, I have got to tell you, in my years, starting back in 1967, I never talked to one person that came through those doors that said to me, hey, by the way, Kelly, I need to look at that information on, let me see, what is it, the relative collision insurance cost information. It doesn't happen. It just doesn't happen.

I made a call to the dealership when I was going to testify and I asked our guys in the Thursday morning sales meeting, I said, do me a favor. Ask our sales force if they have had this experience.

Now, we have over 250 years of sales experience. Not one person in that room has ever talked to a prospective owner about this booklet; never been asked about it, never been questioned about it. Now, people do want to know what it is going to cost to insure their car. And I will tell you what, I have got to tell you, the answer is with the insurance agents. This is an irrelevant piece of information.

I don't know if you have this, I would like to submit it to the record, the actual booklet that we have to provide, and I will leave it for you. But it is kind of interesting, the booklet itself. This is what it says. This table presents vehicles' collision loss experience in relative terms, with 100 representing the average for all passenger vehicles. Thus a rating of 122 reflects a collision loss experience that is 22 percent higher, which means a worse cost than average, while a rating of 96 reflects a collision loss experience that is 4 percent lower or better than average. Now, it is unlikely that your total premium will vary more than 10 percent depending on the collision loss experience of a particular vehicle. And it goes on to say to obtain completely information about insurance premiums, what you need to do is contact your insurance company.

Now, we were wondering about this, so the staff called NHTSA's hotline last night. And I would like you all to mark this number down. It is 888–327–4236. Now, the representative that answered the phone has absolutely no idea about this booklet and told our staff to call your insurance agent. Now, I got to tell you, there is not a lot of things that the current administration and I agree on, but the Obama administration seems to agree that this provision is without merit, and in their explanatory document accompanying their draft highway bill that was presented to the House Energy and Commerce Committee as technical assistance, it states that the data in the booklet is rarely used and not useful. The administration's document also stated that a prospective buyer does not need a brochure from the Federal Government to obtain this information since insurance agents are trained to provide advice on how model selection affects insurance premiums, and I completely agree with the administration.

Now, the other side of the coin is if the dealers don't provide this, if somebody comes in and we don't have it available for them, the fine is $1,000 per occurrence with a cumulative penalty of $400,000. Now, I know those numbers don't mean anything in a town like this where we throw around money like it really doesn't matter, and, of course, it doesn't, because it is not our money, it is taxpayer money. But this is a tremendous disservice to taxpayers and it is an unnecessary burden on businesses. And it just is amazing to me that we actually have gotten to a point where we are having a hearing to rescind or to repeal a law that is so onerous and places a burden on job creators that they just don't need.

Now, there are some people that say, well, you know what? The problem isn't that the material is useless. The problem is that we haven't told enough people about it. Well, we have cranked out more useless pieces of paper in this town than anybody could imagine.

I appreciate what you are doing, Mr. Harper and Mr. Owen. This does release a burden on dealers to provide a piece of information that nobody has ever asked for, nobody needs, nobody is going to find useful. It does fall on the part of the consumer. They call their insurance agent to find out what it is going to cost to insure a car. They would hardly look at this piece of material and come up with any idea.

In fact, I am going to leave it. I want you all to look through this. Look through this, and you please tell me after you look through it what in the world you would gain from this, what information you would gain as a buyer that would help you make a decision on what your ultimate cost of a vehicle is going to be and ownership is going to be.

So, again, I thank you for the opportunity to come before you. I also have been only been here for a year and after. I spent all my life on the floor of a dealership so I do know a little bit of what I am talking about, and I think that it is time to start listening to the people that actually have to abide by these rules to find out what possible use this has for the American taxpayer or the American consumer.

Thank you very much, and I appreciate the opportunity to testify.

[The prepared statement of Mr. Kelly follows:]

Testimony of
The Honorable Mike Kelly
Before the
House Subcommittee on Commerce, Manufacturing and Trade

Regarding H.R. 5859, a Bill to Repeal an Obsolete Provision
Requiring Motor Vehicle Insurance Cost Reporting

June 1, 2012

Madam Chairman Bono Mack, Congressman Butterfield, I thank you for holding this hearing. It is a privilege to testify in front of you today.

My family has been in automotive retailing since 1953. I literally grew up in the automotive business. I own one dealership in Butler, Pennsylvania with four different franchises, Chevrolet, Cadillac, Hyundai and Kia, employing 110 people.

I support H.R. 5859, a bill to repeal an obsolete and irrelevant mandate that requires the National Highway Traffic Safety Administration (NHTSA) to distribute a booklet to auto dealers, like myself. These booklets compare differences in insurance costs for different makes and models on the basis of damage susceptibility for vehicle. Commonly, this is referred to as insurance collision costs. Dealerships must have these booklets available for customers.

In 1972, Congress passed a law which resulted in the annual distribution of a booklet to every new car dealer in America entitled, "Relative Collision Insurance Cost Information." This booklet contained information on "comparative insurance costs, based on damage susceptibility and crashworthiness." According to NHTSA's regulation implementing 49 U.S.C. § 32302(c), the subsection which H.R. 5859 repeals, "each automobile dealer shall make available to prospective purchasers, without charge, [the booklet] at each location where he or she offers new vehicles for sale." For the past 21 years, my dealerships have received a copy of this booklet.

I remember receiving this booklet each year. However, I cannot recall a single customer ever asking me for a copy of the booklet. Just yesterday I asked my sales staff, which has over 250 years of combined sales experience, and not one person could even recall a customer asking for the NHTSA booklet. If someone did ask me or my sales staff for the booklet, we would have happily provided it. If we didn't, my dealership would be liable for ruinous fines of $1,000 per violation, with the maximum penalty of $400,000 for a related series of violations.

When a customer comes into my store to ask what their insurance premium would be if they purchased a certain model, I recommend they contact their insurance agent to get a quote. Usually the customer's insurance agent can provide a quote over the phone in the showroom. This is the same advice that is given in NHTSA's Relative Collision Insurance Cost Information Booklet.

Even the Obama Administration seems to agree this provision is without merit. In their explanatory document accompanying their draft highway bill that was presented to the House Energy and Commerce Committee as "technical assistance," it states that the data in the booklet is "rarely used and not useful." The Administration's document also stated that "a prospective buyer does not need a brochure from the Federal government to obtain this information, since insurance agents are trained to provide advice on how model selection affects insurance premiums." I agree with the Administration's analysis.

While the executive branch is working at a feverish pace to churn out new regulations whose costs will be borne by consumer and taxpayer alike, I think Congress should do something useful for consumers by spending more time clearing out other statutory flotsam that has accumulated over the decades. This provision in particular has been wasting taxpayer money and everyone's time since 1991, and no one has really done anything about it until Reps. Harper and Owens stepped forward with a bill. I see no reason why we should let this waste go on another year. Maybe the money saved from passing H.R. 5859 can be used by NHTSA to advance their mission of saving lives and reducing fatalities on our nation's road. Or perhaps it could be used to reduce our $1.3 trillion budget deficit by a tiny amount. At a minimum, passage of H.R. 5859 will ensure these funds are no longer wasted.

Madam Chairman, thank you for your consideration.

Mrs. BONO MACK. Thank you very much, Mr. Kelly.

I do not have any questions of the panelists, but I will recognize any of our colleagues that do.

Mr. BUTTERFIELD. I think I may have one or two for Mr. Lipinski.

Mrs. BONO MACK. I will recognize Mr. Butterfield for 5 minutes.

Mr. BUTTERFIELD. Again, Mr. Lipinski, thank you very much again for your testimony today and all the hard work you do here in the Congress. This isn't the first time that the Energy and Commerce Committee has taken up your legislation calling on the President to prepare a National Manufacturing Strategy. In fact, in 2010 we reported a different version of this bill out of the full committee by a voice vote and passed it on the House floor under suspension of the rules. Obviously, efforts to promote and revitalize American manufacturing are something everyone here can get behind. We were able to work together to get a bill through the House before and I am sure we can work together to do it again.

So I share Mr. Lipinski's view that we must on an ongoing basis do a better job with strategic thinking and planning to maintain the competitiveness of the U.S. manufacturing sector. This sector is vital to job creation, innovation and even to our national security.

Nonetheless, I want to acknowledge the Obama administration's increasing emphasis on the manufacturing sector. The first time we passed Mr. Lipinski's bill we weren't aware of the many manufacturing initiatives that were bubbling up through the administration, and since that time we have seen Congress put even more emphasis on strategic planning and policy making related to manufacturing.

Let me just share a few examples of what I am talking about. At the end of 2009, the Obama administration issued a framework describing the state of manufacturing and setting out the administration's current policies and initiatives. That was year one of the Obama administration.

In mid-2011, President Obama's science, technology and innovation advisers followed up with another report that prompted him to establish the Advanced Manufacturing Partnership to promote high-tech manufacturing. This past December, the President created the new White House Office of Manufacturing Policy within the National Economic Council to coordinate manufacturing efforts across departments.

Congress in fiscal year 2012, in the 2012 Consolidated Appropriations Act, calls for the Secretary of Commerce to establish a task force on job repatriation and manufacturing growth. The accompanying House Report requires the Secretary of Commerce to update a 2004 report on manufacturing. It also requires the Secretary to establish an Economic Security Commission to advise the administration and Congress on long-term strategic competitive manufacturing challenges. So we must all focus on bolstering American manufacturing and that we don't squander scarce government resources on efforts that are redundant.

Mr. Lipinski, would you agree with me, sir, that any new efforts by Congress to promote and grow the manufacturing sector should not duplicate existing efforts?

Mr. LIPINSKI. I certainly agree that we should not be duplicating any existing efforts, and I applaud the administration and also Congress in the past couple of years, especially Chairman Frank Wolf of the CJS Appropriations Subcommittee has requested some reports, and I think we have definitely made progress in focusing on manufacturing since I first introduced the version of the bill in the last Congress.

One of the purposes of this bill is to try to cut down on redundancy. We have a lot of redundancy already in the Federal Government, and my intention certainly in this bill, and I think we can work to make sure that we utilize what is being done already and sort of fold that into what will be done with the National Manufacturing Strategy.

Mr. BUTTERFIELD. Thank you. Will you agree that any new efforts by Congress to promote and grow the manufacturing sector should try, to the extent possible, to bring together all of the different moving parts that have been put in place by Congress and the White House? Would that be valuable?

Mr. LIPINSKI. That is one of the big purposes here, is to put together all these moving parts that have already been put in place or in motion.

Mr. BUTTERFIELD. All right. We are going to try to work together to make it happen. Thank you. I yield back.

Mr. LIPINSKI. Thank you.

Mrs. BONO MACK. I thank the gentleman.

The chair now recognizes Mr. Harper for 5 minutes.

Mr. HARPER. Thank you, Madam Chair.

Mr. Kelly, if I could ask you a question, and you may have had the opportunity to review the statement of Joan Claybrook, who will testify I believe on the third panel today, and I want to just read one portion of what she said and get your response to this in one of the paragraphs in her opening statement. Here is what is in her letter. It says, "I can understand why car dealers want to keep consumers in the dark about insurance collision cost information. Dealers want to sell the cars they have on their lot. If consumers have access to information about a vehicle that might show expensive repair costs and that discourages a sale, the dealer might lose a customer and the sale."

How do you respond to that type of an insult?

Mr. KELLY. Well, I think that most of those insults come from people who have never been in our business and don't understand the relationship between the business owner and the people that keep them alive, and that is our customers or our buyers. So anybody that I have ever been in contact with in my business is probably one of the most stable people in that community. And I tell people all the time, if you really wonder about the integrity and the value of your car dealer, if your son played little league baseball, look at whose name is on the outfield fence. If your daughter marched in the marching band, look who is in the program.

So, I mean, it is absolutely—that is foolhardy and irresponsible to make that statement. There is absolutely no reason why anybody would want to keep anybody from knowing about the vehicle that they want to purchase, and we do provide all kind of information. But the information we try to provide is usually relevant. And only again from people who live in some other galaxy do you get these kinds of comments. When you are actually on the ground, you are face-to-face with people every day and your ability to make sure that the checks that you issue every 2 weeks are cashable, that relationship that we have with the customer is absolutely critical.

So I want everybody to be completely comfortable with what they buy, and so do all my dealer friends.

Mr. HARPER. And when you referred to the table, the stuff that is here for the collision insurance loss numbers that they keep, a consumer is not going to look at that and gain any information. They are going to call their insurance agent, just as you said, to get the true cost of what that potential vehicle would cost.

Mr. KELLY. Well, the variables are great, the gender, the age, where you drive the car, business or pleasure, where you live. There are so many different variables in it, so there is no one size fits all.

Mr. HARPER. And there is no way to create a government document chart that is going to tell the insurance company what they are going to be charging for that premium.

Mr. KELLY. Yes, and I think history would probably show that there hasn't been very many government documents that really come to a realistic value of what a vehicle is and the purchasability of it.

Mr. HARPER. Thank you, Mr. Kelly. I appreciate it. I yield back.

Mrs. BONO MACK. Thank you. The chair now recognizes Dr. Cassidy for 5 minutes.

Mr. CASSIDY. To my colleague Mr. Lipinski, I like the general kind—knowing that you thought about this, I ask these questions not to challenge, but just to pick your brain. It really seems like our manufacturing right now has been driven by natural gas, the hydraulic fracturing, that sort of lowered energy cost, decreasing input cost, encouraging companies to bring their resources back to the United States, and that has actually happened quite independently of a manufacturing policy. In fact, you could even argue that it has happened despite the administration's efforts to inhibit that.

So I guess my question is, and, again I am not challenging, I am just exploring with you, my question here is if we had had a manufacturing policy 4 years ago, it seems like it would have emphasized renewable energy sources. Solyndra, for example, was an example of such a policy, not to knock it, but just to give an example of where the administration's emphasis was, as opposed to what happened just by market forces and by private enterprise, where hydraulic fracturing took place and now Dow is expanding, ExxonMobil is about to build a huge new plant, et cetera.

So your bill, I guess I am struggling to see if we see that what is happening that is good in manufacturing is a result of kind of the private sector unimpeded, or despite an impediment, how would your bill add to that?

Mr. LIPINSKI. Well, certainly it makes a difference to have the much cheaper natural gas here, and that certainly helps manufacturing. I wouldn't say that that has been everything that has helped spur the creation of half a million manufacturing jobs. But what we are looking at here is across-the-board what can be done.

And I think that the idea of having this board with buy-in from not only whoever the administration is in 2014, but also from both Houses of Congress, both parties, to look broadly across what can be done, energy policy perhaps will be part of that. I would expect it to be part of that. But there is a lot more to any sort of manufacturing strategy.

So I think that if we looked broadly at everything that can be done, I think we could be even further along in promoting manufacturing, having more manufacturing jobs. But that is not to say that energy policy isn't part of that. It is part of it, but it is only one piece of it.

Mr. CASSIDY. Then the next thing, again, not to challenge, just to explore, if you look McKinsey Quarterly will have white papers on what we need to improve manufacturing, the Chamber of Commerce will, I am sure labor unions do, institutes for tax policy. It almost seems like we know the answer is out there. Our tax rates are uncompetitive, we have, a high debt to GDP, et cetera. How would this add to that which is available in the private sector?

Mr. LIPINSKI. Well, I think we have seen a lack of having a well-coordinated policy. And a lot of these studies, and there is probably a lot of truth in them, but we need to bring all of that together and to have action. I mean, that is really the key here. I think there is much more that can be done to create the environment for the private sector to have the best opportunity, the best incentive to create more manufacturing jobs. I don't think that we have done that. There have been a lot of studies, but I don't think that—many of them have not been followed up on, I believe, and this is one way to try to make sure that we put out a plan and encourage follow-up by Congress and by the President.

Mr. CASSIDY. Thank you. I yield back.

Mrs. BONO MACK. I thank Dr. Cassidy. And with that, we thank both of our panelists for your testimony today and for doing all you can to help manufacturing in America and to create new jobs.

We will have a brief recess as we seat our second panel. I do ask unanimous consent from the subcommittee to allow our colleagues to sit on the dais as joyful witnesses, but not participants. With unanimous consent, you are welcome to join the dais.

So a brief, brief, brief recess as we put the second panel in place, please.

[Recess.]

Mrs. BONO MACK. On our second panel we have Zachary Mottl, Director of Development at Atlas Tool & Die Works. Next we have, not in this order, next we have Mark Gordon, Executive Committee member, Manufacturing Division, National Defense Industry Association. Also testifying is Phillip Singerman, Ph.D., Associate Director for Innovation and Industry Services at the National Institute of Standards and Technology for the U.S. Department of Commerce. Our fourth witness is Deborah Wince-Smith, President and CEO for the Council on Competitiveness.

Good morning, everyone. You will be recognized for 5 minutes for your opening statements. To keep track of time, please look at the lights on the timer in front of you. When it turns yellow you have one minute left. So if you will please make sure to turn the microphone on and bring it close to your mouth so we can all hear you clearly. With that, we will go ahead and recognize you in the order you are seated and begin with you, Dr. Singerman, for 5 minutes.

STATEMENTS OF PHILLIP SINGERMAN, ASSOCIATE DIRECTOR FOR INNOVATION AND INDUSTRY SERVICES, NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY, DEPARTMENT OF COMMERCE; ZACH MOTTL, DIRECTOR OF DEVELOPMENT, ATLAS TOOL & DIE WORKS; MARK A. GORDON, EXECUTIVE COMMITTEE MEMBER, MANUFACTURING DIVISION, NATIONAL DEFENSE INDUSTRIAL ASSOCIATION; AND DEBORAH L. WINCE–SMITH, PRESIDENT AND CHIEF EXECUTIVE OFFICER, COUNCIL ON COMPETITIVENESS

STATEMENT OF PHILLIP SINGERMAN

Mr. SINGERMAN. Thank you, Chairwoman Bono Mack, Ranking Member Butterfield, and members of the subcommittee. I am honored to be here today to share the administration's strategy to promote growth, sustainability and competitiveness in the manufacturing sector.

We all know manufacturing matters. As President Obama has said, "An economy built to last demands that we keep doing everything we can to keep strengthening American manufacturing."

Over the past 2 years, U.S. manufacturers have created nearly half a million jobs, the longest period of sustained manufacturing job growth since the 1990s. In addition, manufacturing is helping us to advance our national priorities. For example, manufacturing is a key driver of U.S. exports. In 2011, the United States exported nearly $1.3 trillion in manufactured goods, an all-time record, which supports Secretary Bryson's goal of building it here, selling it everywhere.

Last summer's report on advanced manufacturing by the President's Council of Advisers on Science and Technology, PCAST, reminded us why manufacturing remains essential. Manufacturing that is based on new technologies can provide high quality, good paying jobs for American workers. Manufacturing is crucial to our balance of trade, representing 60 percent of U.S. exports, and manufacturing drives technological innovation, accounting for 70 percent of private sector research and development.

The report also made clear that the government should play an important role through the development of an innovation policy. While the United States should avoid industrial policy, we should be aggressively supporting an innovation policy that provides the best overall environment in which to do business and fosters the development of powerful new technologies.

The report looked at a broad range of approaches to help sustain and grow the sector. In addition to research and development, the report looked at such areas as tax, trade, workforce, small business and education, and how each helped the manufacturing sector. Today I want to briefly highlight the importance of innovation on advanced manufacturing.

In June of last year, the President called for the private sector to lead the formation of an Advanced Manufacturing Partnership whose purpose is to bring together industry, universities and the Federal Government to identify emerging technologies and supportive policies that will create high quality manufacturing jobs and enhance our global competitiveness.

To complement this public-private partnership, the administration also strengthened the Interagency Organization for Advanced Manufacturing. The Advanced Manufacturing National Program Office was established at NIST to coordinate Federal agency efforts to accelerate the pace of innovation, promote technology transfer, and more rapidly integrate technology breakthroughs into the commercial market. This interagency effort currently involves not only the Department of Commerce, but the Departments of Energy, Defense, Education, the National Science Foundation and NASA.

NIST also works in support of manufacturing through its Hollings Manufacturing Extension Partnership Program, MEP, and its Technology Partnership Office. MEP is a longstanding public-private partnership whose work leads small and mid-sized manufacturers to new sales, new product development and market expansion.

In March, the President announced a new initiative, the National Network for Manufacturing Innovation, which is a proposed one time, $1 billion Federal investment to catalyze collaboration among industry, academia, to perform research and development that will accelerate innovation for advanced manufacturing, build a stronger innovation system, and link innovations more directly to domestic production capabilities. The Institutes for Manufacturing Innovation will help bridge the gap between basic research and product development, provide shared assets to help companies access cutting age capabilities, and create an environment to train students and workers in advanced manufacturing skills.

The President also announced that the administration will take immediate steps to launch a pilot Institute for Manufacturing Innovation based on existing programs and funding within the Department of Defense, partnering withEnergy, Commerce, NASA and the National Science Foundation. The key to the success of these efforts is partnerships. The leverage from these partnerships enables the share resources and creative spark needed to drive innovation here and at home.

Madam Chair, in closing let me say how much we appreciate the committee's work in support of a vibrant and dynamic manufacturing sector in the 21st century, and we look forward to working with you on legislation to further the administration's efforts to support U.S. manufacturing. Thank you again for the opportunity to testify.

[The prepared statement of Mr. Singerman follows:]

Remarks by

Philip Singerman
The National Institute of Standards and Technology
Associate Director for Innovation and Industry Services

Before the
House Energy and Commerce Committee
Subcommittee on Commerce, Manufacturing and Trade

American Manufacturing Competitiveness

June 1, 2012

Thank you Chairwoman Bono Mack, Ranking Member Butterfield and members of the Subcommittee. I'm pleased to share today the Administration's strategy to promote growth, sustainability and competitiveness in the manufacturing sector.

Manufacturing matters. As the President has said, "[An] economy built to last demands that we keep doing everything we can to.... keep strengthening American manufacturing."

Over the past two years, US manufacturers have created nearly half-a-million jobs – the longest period of sustained manufacturing job growth since the late 1990s. In addition, manufacturing is helping us advance our national priorities.

Also, manufacturing is a key driver of U.S. exports. In 2011, the United States exported nearly $1.3 trillion in manufactured goods –

an all-time record -- which supports Secretary Bryson's goal of building it here...selling it everywhere.

We need to continue to build on this momentum, and indeed the Obama Administration is doing just that through a number of new initiatives to support U.S. manufacturing.

Last summer's report on Advanced Manufacturing by the President's Council of Advisors on Science and Technology (PCAST) reminded us why manufacturing remains essential: manufacturing that is based on new technologies can provide high-quality, good-paying jobs for American workers; manufacturing is crucial to our balance of trade, representing 60 percent of U.S. exports, and it drives technological innovation, accounting for 70% of private sector research and development.

The report also made clear that the government should play an important role through the development of an innovation policy, as opposed to industrial policy. *The difference is crucial.* While the United States should avoid industrial policy—making bets on particular companies and industries—we should be unabashed in pursuing an innovation policy that provides the best overall environment in which to do business, that fosters the development of powerful new technologies, and that ensures that technology-based enterprises have the infrastructure required to flourish here.

Given the breadth of manufacturing, the report looked at a broad range of approaches to help sustain and grow the sector. In addition to research and development, the report looked at areas such as tax, trade, workforce, small business, and education policies and how each either help or hinder the health of the manufacturing sector.

Today I want to focus on the importance of innovation on advanced manufacturing. In June of last year, the President announced the formation of the Advanced Manufacturing Partnership (AMP), whose purpose is to bring together industry, universities, and the federal government to invest in the emerging technologies that will create high quality manufacturing jobs and enhance our global competitiveness.

To complement the public-private partnership, the Administration also strengthened the interagency coordination for advanced manufacturing, and NIST is playing a leading role. The Advanced Manufacturing National Program Office was established at NIST to coordinate federal agency efforts to accelerate the pace of innovation, promote technology transfer, and more rapidly integrate technology breakthroughs into the commercial market. NIST is also actively working with other parts of the Department of Commerce , as well as with other agencies such as the Departments of Energy and Defense, and the National Science Foundation to achieve these goals.

In addition, the President has proposed the Advanced Manufacturing Technology program -- or AMTech at NIST, which will foster industry consortia to tackle research issues that, if solved, would be of benefit to the entire sector.

NIST continues work in support of manufacturing through its Manufacturing Extension Partnership program and its Technology Partnership office. The MEP is a longstanding public/private partnership whose work leads manufacturers to new sales, new product development and market expansion, that in turn leads directly to the retention and creation of manufacturing jobs in United States.

NIST's Technology Partnership office is working with federal agencies to identify and implement best practices and developing more comprehensive metrics to evaluate the performance of federal agency efforts to promote technology transfer, in order to better leverage the major investments we make in manufacturing R&D.

We are also excited about a new initiative, the National Network for Manufacturing Innovation (NNMI), which is a proposed $1 billion program to coordinate efforts of the federal government, States, industry, and academia to collaboratively accelerate innovation for advanced manufacturing, build a stronger innovation system and link innovations more directly to domestic production capabilities.

The NNMI will help bridge the gap between basic research and product development, provide shared assets to help companies access cutting-edge capabilities, and create an environment to train students and workers in advanced manufacturing skills.

The President's proposal for the Network would create up to 15 Institutes for Manufacturing Innovation (IMI) around the country. The IMIs will bring together industry, universities and community colleges, federal agencies, and regional and state organizations to accelerate innovation by investing in industrially-relevant manufacturing technologies with broad applications.

The President also announced that the Administration will take immediate steps to launch a pilot Institute for Manufacturing Innovation, based on existing programs within the Department of Defense, and partnering with the Energy and Commerce Departments, and the National Science Foundation (NSF). The NNMI and the pilot are two distinct efforts, but have an important relationship between them. The pilot Institute will demonstrate the value of the kind of collaborative problem-solving and asset-building that could occur on a broader scale with an entire Network of Institutes for Manufacturing Innovation.

The key to the success of this effort is partnerships. The synergy from those partnerships enables the shared resources and creative spark needed to drive innovation here at home. If we can help the NNMI model take root, our manufacturers will be better off in this global economy.

We appreciate this Committee's work to ensure that the United States continues to support a vibrant and dynamic manufacturing sector in the 21^{st} century and we look forward to working with you on legislation to further the Administration's efforts to support U.S. manufacturing.

Thank you for the opportunity to testify, and I look forward to answering any questions you may have.

Mrs. BONO MACK. Thank you very much, Dr. Singerman.

Mr. Mottl, you are recognized for 5 minutes.

STATEMENT OF ZACH MOTTL

Mr. MOTTL. Good morning. Thank you very much, Chairman Bono Mack and Ranking Member Butterfield and members of the committee, for providing me the opportunity to speak before you today.

Manufacturing is a subject very dear to my heart. I am the fourth generation of my family since 1918 to own and operate my business, Atlas Tool & Die Works. I work there as the Director of Development. I am also Vice President and co-owner of Abet Industries as well as Accushim, Inc. The businesses are located in Lyons and LaGrange, Illinois, which are Chicago suburbs in Representative Dan Lipinski's district. All three companies are my family's related businesses in precision manufacturing. Our companies make various parts and assemblies for the defense, aerospace, telecom, electronics, medical, industrial and heavy machinery industries. Together we employ around 80 people.

I also serve as the chairman of the TMA Government Relations Committee and vice chair of the association. TMA represents nearly 1,000 small- and medium-sized manufacturers in the Midwest. We employ over 27,000 skilled workers.

As an advocate of the critical importance of a healthy and growing manufacturing sector in any economy, I support passage of the American Manufacturing Competitiveness Act of 2012. One thing that strikes me about this bill is that it makes no assumptions of the best path forward to ensure America is the global manufacturing leader.

That is important because there are so many diverse opinions of what the manufacturing sector needs. Some people feel unfettered free trade is a problem, others say it is tax policy and others say energy policy or training and workforce development, and still some people say the industry is strong and nothing is needed. With these varying opinions, all from purported experts, it is very difficult to develop a path forward. Instead, this bill creates a system that thoughtfully and methodically evaluates the issues surrounding the industry and it outlines a framework to develop a plan for success.

As a business owner, I know that planning is critical. Plan, execute and review, that is the basic core of any good business model. Unfortunately, when an organization doesn't operate with the plan, what happens is a plan to fail. Right now the United States is operating with a plan to fail in the world economy when it comes to manufacturing, and that is unacceptable for a global superpower.

We simply must be the world leader in manufacturing. And why is that so important? Manufacturing is a keystone stone industry in any economy. Most economists agree that for every sales dollar in manufacturing, there are two to three dollars of supporting activities required. This is the highest multiplier effect of any industry.

In addition, manufacturing creates good jobs that value skills, jobs with healthy benefits and jobs where you can find a lifelong career. Manufacturing is critical to national defense as well as product innovation.

Finally, manufacturing is one of the fastest growing sectors in the world economy. It requires capital investments in land and equipment, it requires many factors of production, and, in short, it is simply one of the fastest ways to jump-start employment, investment and innovation.

Many other countries realize these facts. They are constantly and actively working to court manufacturers to locate within their borders. We live in a world with many competitors and they look at our position with envy. They are working to surpass the United States in many areas, and if we ignore what they ever doing and neglect to make our own plans, I assure you those competitors will succeed.

Countries like China, Russia, Brazil, Canada, the U.K., and many others have a clear and detailed national manufacturing strategy. They have decided what critical industries they want within their borders and are actively working to foster success. They are asking the questions, what can we help you do to be more competitive? How can we help you sell more products and create more jobs? Whether it is consideration of a VAT versus an income tax, adding or removing tariffs and import barriers, providing regulatory relief, requiring domestic production or even low cost loan and financing programs, these countries are working in a concentrated and organized effort towards success.

Furthermore, many of these countries already have developed best practices when it comes to supporting their manufacturing sectors. The American Manufacturing Competitiveness Act will not only bring the U.S. into line with our competitors, but compel us to study and learn from them. And this type of benchmarking is a standard best practice management technique.

Ultimately the success of any industry depends on many factors. However, our collective will to ensure and achieve success is probably the most important factor. The American Manufacturing Competitiveness Act and ultimately the National Manufacturing Competitiveness Strategy developed in Section D of that act are important first steps to the long-term health and success of our overall economy.

I applaud Congressman Lipinski and Congressman Kinzinger for their leadership to develop and sponsor this bill, and I urge you all to pass this bill in committee and ultimately the full House.

Thank you for your time and consideration, and I look forward to your questions.

[The prepared statement of Mr. Mottl follows:]

TESTIMONY OF ZACH MOTTL, DIRECTOR OF DEVELOPMENT, ATLAS TOOL & DIE

ON THE AMERICAN MANUFACTURING COMPETITIVENESS ACT

SUBCOMMITTEE ON COMMERCE, MANUFACTURING AND TRADE

JUNE 1, 2012

Thank you very much Chairman Bono Mack and members of the Committee for providing me the opportunity to speak before you today. Manufacturing is a subject very near to my heart. I am the fourth generation of my family, since 1918, to own and operate my business Atlas Tool & Die Works, where I work as the Director of Development. I am also Vice President and co-owner of Abet Industries as well as Accushim Inc. The businesses are located in Lyons and LaGrange, IL which are Chicago suburbs in Rep. Dan Lipinski's district. All three companies are my family's related businesses in precision manufacturing. Our companies make various parts and assemblies for the defense, aerospace, telecom, electronics, medical, industrial, and heavy machinery industries. Together we employ around 80 people. I also serve as the Chairman of the TMA Government Relations Committee and Vice- Chair of the association. TMA represents nearly 1000 small and medium sized manufacturers in the Midwest who employ over 27,000 skilled workers.

As an advocate of the critical importance of a healthy and growing manufacturing sector in any national economy, I support passage of the American Manufacturing Competitiveness Act of 2012. One thing that strikes me about this bill is that it makes no assumptions of the best path forward to ensure America is the global manufacturing leader. That is important because there are so many diverse opinions of what the manufacturing sector needs. Some people feel unfettered free trade is a problem, others say tax policy, others say energy policy, and still others say the industry is strong and nothing is needed. With these varying opinions, all from purported experts, it's very difficult to develop a path forward.

Instead this bill creates a system to thoughtfully and methodically evaluate the issues surrounding the industry and then outlines a framework to develop a plan for success. As a business owner, I know planning is critical; Plan, Execute, Review. That is the basic core of any good business model. Unfortunately, when an organization doesn't operate with a plan, what occurs is a plan to fail.

Right now the United States is operating with a plan to fail in the world economy when it comes to manufacturing. This is unacceptable for a global superpower. We simply must be the world leader in manufacturing. Why is the competitiveness of this sector so important? First manufacturing is a keystone industry in any economy. Most economists agree that for every sales dollar in manufacturing there are $2-3 dollars of supporting activities required. This is the highest multiplier effect of any industry. In addition, manufacturing creates good jobs that value skills, jobs with healthy benefits and also jobs where you can find a lifelong career. Manufacturing is critical to national defense as well as product innovation. Finally, manufacturing is one of the fastest growing sectors of the world economy. It requires capital investments in land and equipment, it requires many factors of production, and in short is simply one of the fastest ways to jump-start employment, investment, and innovation.

Many other countries realize these facts. They are constantly and actively working to court manufacturers to locate within their borders. We live in a world with many competitors and they look at our position with envy. They are working to surpass the United States in many areas and if we ignore what they are doing and neglect to make our own plans I can assure you these competitors will succeed.

Countries such as China, Russia, Brazil, Canada, Germany, the UK, and others have a clear and detailed national manufacturing strategy. They have decided what critical industries they want within their borders and are actively working to foster success. They are asking the questions, "What can we do to help you become more competitive? How can we help you sell more product and create more jobs?" Whether its consideration of a VAT vs. an income tax, adding or removing tariffs and import barriers, providing regulatory relief, requiring domestic production, creating low-cost loan and financing programs, or even playing matchmaker between suppliers and customers, these countries are working in a concentrated and organized effort towards success.

Furthermore, many of these countries already have developed best practices when it comes to supporting their manufacturing sectors. The American Manufacturing Competitiveness Act will not only bring the United States into line with our economic competitors but it will also compel us to study them and learn from them. This type of benchmarking is a standard best practice management technique.

Ultimately the success of any industry depends on many factors. However, our collective will to ensure and achieve success is probably the most important factor. The American Manufacturing Competitiveness Act and ultimately the National Manufacturing Competitiveness Strategy developed in section D of that act are important first steps to the long-term health and success of our overall economy. I applaud Congressman Lipinski and Congressman Kinzinger for their leadership to develop and sponsor this bill. I urge you all to pass this bill in committee and ultimately the full House. Thank you for your time and consideration of this important legislation, and I look forward to your questions.

Mrs. BONO MACK. Thank you, Mr. Mottl.

Mr. Gordon, with that, you are recognized for 5 minutes.

STATEMENT OF MARK A. GORDON

Mr. GORDON. Madam Chairman Bono Mack, Ranking Member Butterfield, members of the subcommittee, thank you for the invitation to speak today.

My name is Mark Gordon, Director of Defense Programs at the National Center of Advanced Technologies and a member of the Manufacturing Division at the National Defense Industrial Association. On behalf of the 1,700 corporate members and almost 100,000 individual members, I am pleased to appear before the subcommittee today to discuss the need for a competitiveness strategy to successfully develop a national ecosystem supporting American manufacturing.

There should be no doubt as to the importance of the manufacturing sector to the economic and national security of the U.S. You have already heard an impressive number of statistics from multiple speakers. Most importantly, manufacturing means stable, high paying jobs for millions of U.S. taxpayers, and these jobs depend directly on the current and future competitiveness of the U.S. manufacturing sector in comparison to our trading partners, trading partners which possess national manufacturing strategies which aim to boost their competitiveness.

While the U.S. is competitive in manufacturing today, our essential goal should be to increase our competitiveness to ensure future growth in an increasingly aggressive global environment.

There are many recently published strategic plans, studies, reports and road maps on U.S. manufacturing, all of which focus recommendations on structural barriers, emerging technologies, infrastructure partnering or economic preservation models as vital components that lead to the revitalizing, reshoring or expanding of the U.S. manufacturing capability.

My position is that developing a competitive manufacturing sector requires establishing and maintaining a national manufacturing ecosystem that simultaneously addresses structural limitations such as export control regulations, public and private R&D investments, such as advanced materials or processing and fabrication needs, and bridging the gap to successful scale-up and commercialization.

Given the multitude of existing recommendations and strategies, what is required is a balanced approach that sets priorities among these mechanisms with the single goal of a competitive American manufacturing ecosystem, an ecosystem that proofs fertile enough to grow and maintain domestic manufacturing capacity.

Turning to the specific issue of national security, Under Secretary of Defense Frank Kendall stated earlier this year that essentially the industrial base is part of our force structure and we have to treat it like it is, acknowledging the vital role of defense manufacturing and the requirement to actively manage its capabilities.

The 2012 defense guidance clearly defines strategies built upon exploiting our technological advantage, such as advanced electronics, lightweight materials and reduced size, weight and power for a broad range of defense systems. The DOD recognizes that these technological advances are realized through manufacturing technologies, which is why the 2013 defense budget highlights advanced manufacturing as a top priority, along with cyber and autonomous systems.

However, this strategy or this priority is set within a reduced budget environment with pressures on acquisition costs that will defer modernization and increase sustainment requirements. Acquisition and sustainment are both supported by the same industrial base which is threatened by these reductions.

This defense industrial base, which is at the lower tiers, is predominantly small and medium size with commercial and defense companies. It possesses a variety of specialized manufacturing capabilities required to produce and sustain defense systems and must be managed to ensure readiness and avoid obsolescence. A defense industrial base that is technologically vibrant, highly capable and financially fit is in the national interest, and as such the Defense Department is a unique beneficiary of a highly competitive manufacturing base because of the reinforcing nature of an economic healthy manufacturing ecosystem on this shared industrial base.

Our endorsement of this bill is based upon a stated objective, board membership and duties and a lengthy list of topics to be considered during the comprehensive analysis and strategy development. However, we note that the comprehensive analysis under section 4, paragraph C, would seem to require considerable effort and no staff budget or board support is currently specified. Obviously, resources will be required commensurate with the expected level of effort and will not be left to the private or public service board members.

I am honored to have had this opportunity to provide you with the defense industry perspective on the importance of developing the needed ecosystem, and speaking on behalf of NDI membership, I thank you all for actively supporting U.S. manufacturing policies.

[The prepared statement of Mr. Gordon follows:]

Testimony

of

Mark A. Gordon

National Defense Industrial Association

Manufacturing Division

House Energy and Commerce Committee,

Subcommittee on Commerce, Manufacturing, and Trade

June 1, 2012

Hearing on "American Manufacturing Competitiveness Act of 2012."

Major themes:

- NDIA endorsees this legislative proposal, but notes that as written, the comprehensive analysis will require considerable effort, resources will be required commensurate with the expected level of effort.
- The U.S. manufacturing sector is vital to the nation's economic and national security, and millions of jobs depend directly on our ability to competitiveness in manufacturing.
- Developing a competitive manufacturing sector requires a national manufacturing ecosystem that simultaneously addresses structural limitations, technology investments and bridging the gap to efficient scale up.
- The Administration is actively pursuing a strategy to guide Federal programs and activities in support of Advanced Manufacturing R&D.
- The Defense Department is uniquely dependent upon the U.S. Industrial base to meet warfighter and force structure requirements and it must be carefully managed in this reduced funding environment
- The FY13 DoD Budget prioritizes advanced manufacturing in order to deliver the technological advantage required by the2012 Defense Strategic Guidance.
- The DoD NNMI pilot institute will both lead to a more competitive sector in Additive Manufacturing Technologies and prepare the groundwork for a broader network of institutes.

Chairwoman Bono Mack and members of the Committee, I am Mark Gordon, Director of Defense Programs at the National Center For Advanced Technologies and a member of the Executive Committee of the Manufacturing Division at the National Defense Industrial Association (NDIA). On behalf of the 1793 corporate members of NDIA including 97,365 individual members, I'm pleased to appear before the House Subcommittee on Commerce, Manufacturing, and Trade today to discuss the need for an American Manufacturing Competitiveness Strategy to successfully develop a national ecosystem supporting manufacturing, which has significant economic and national security implications for the U.S..

There is should be no doubt as to the importance of the manufacturing sector to the economic and national security of the U.S., with statistical measures such as 12% of GDP directly related to manufacturing and 30% of GDP impacted by manufacturing, 70% of industrial R&D funded by manufacturing related firms, the highest economic benefit multiplier of any economic sector, and 50% of the country's exports. More importantly, manufacturing means stable, high paying jobs for millions of U.S. taxpayers, and these jobs depend directly on the current and future competitiveness of the U.S. manufacturing sector in comparison to our trading partners. Trading partners which possess national manufacturing strategies which aim to boost their competitiveness. The U.S. is competitive in manufacturing today; the goal is to increase our competitiveness for future growth in an increasingly aggressive global environment.

There are many recently published strategic plans, studies, reports and roadmaps on U.S. manufacturing, all which focus recommendations on structural barriers, emerging technologies, infrastructure partnering, or economic preservation models as vital components that lead to revitalizing, reshoring, or expanding U.S. manufacturing capability. By structural barriers, I refer to tax policy, environmental regulations or export controls. Other well defined recommendations include increased R&D investment in advanced manufacturing, access for Small and Medium Enterprises to advanced modeling and simulation capabilities, development of regional clusters of shared manufacturing facilities (Industrial Commons) and infrastructure needs for commercial scale up. My position is that developing a competitive manufacturing sector requires a national manufacturing ecosystem that simultaneously addresses structural limitations, investments and bridging the gap to efficient scale up. Given the multitude of existing strategies, what is required is a balanced approach that sets priorities among these mechanisms with the single goal of a competitive American manufacturing ecosystem, an ecosystem that proves fertile enough to grow and retain domestic manufacturing capacity.

The Administration is actively pursuing advanced manufacturing as vital to the future competitiveness of the U.S., enabling next generation technologies and markets. The President's Council of Advisors on Science and Technology (PCAST) concluded within it's 2011 "Report to the President on Ensuring American Leadership in Advanced Manufacturing" that the Nation's long-term ability to innovate and compete in the global economy greatly benefits from co-location of manufacturing and manufacturing-related R&D activities in the United States, and resulted in the establishment of the Advanced Manufacturing Partnership to pursue a private-sector response to Federal government efforts. In March of 2012, the National Science and Technology Council, continuing the themes from the PCAST Report, published the *National Strategic Plan for Advanced Manufacturing* with five recommendations that guide Federal programs and activities in support of advanced manufacturing research and development. In support of these recommendations, the President proposed a "National Network for Manufacturing Innovation" (NNMI) as a series of 15 public-private partnerships designed to accelerate innovation by investing in industrially-relevant manufacturing technologies. The Defense Department is leading the development of a pilot institute that will both develop and scale up new, innovative manufacturing capabilities and demonstrate the institute concept in support of the full network.

Turning to the issue of national security, Undersecretary of Defense Frank Kendall stated earlier this year that "Essentially, the industrial base is part of our force structure and we have to treat it like it is," acknowledging the vital role of defense manufacturing and the requirement for guidance. The 2012 Defense Strategic Guidance clearly defines priorities built upon exploiting our technological advantage while operating within a reduced budget environment. This guidance emphasizes presence in the Asia Pacific, increases agile response capabilities, and maintains European commitments. These priorities are enabled by advanced technology for the warfighter, including advanced electronics, lightweight materials, and reduced size, weight and power for a broad range of defense systems. The DoD recognizes these technological advantages are provided through advanced manufacturing technologies, which is why the FY13 Defense Budget highlights manufacturing R&D as a priority:

> " [DoD] Invests in long-term scientific and technological innovation to ensure that the Nation has access to the best defense systems available in the world. High-priority research and development areas include: advanced manufacturing, cybersecurity, and autonomous systems."

However, these priorities are set within a reduced budget environment. The FY13 President's Budget shows total U.S. defense spending dropping roughly 22% over the period 2010-2017, before any additional sequestration reductions. This means that defense affordability concerns will remain dominant, with pressures on acquisition costs that will defer modernization and increase sustainment requirements. However, acquisition and sustainment are both supported by the same industrial base, which is threatened by defense reductions. This defense industrial base, which at the lower tiers is predominantly small and medium sized with commercial and defense customers, possesses a variety of specialized manufacturing capabilities required to produce or sustain defense systems, and must be properly managed to ensure readiness and avoid obsolescence. The ideal characteristics of the industrial base sought by the DoD are technologically vibrant, highly capable, and financially fit. As such, the Defense Department is a unique beneficiary of a highly competitive manufacturing base, because of the reinforcing nature of an economically healthy manufacturing ecosystem on the shared industrial base.

Turning to manufacturing R&D for national security, the Defense Department has a single program that is chartered under USC Title 10 to develop and transition manufacturing processes and fabrication required for the production and support of Defense Systems: The DoD Manufacturing Technology (ManTech) Program. For over 50 years, the ManTech Program has been department's investment mechanism for staying at the forefront of defense essential manufacturing capability, which has also been spun-off to feed much of the U.S. commercial technology advances, including semiconductors, composites, turbine engines, and machine tools. Benefits are not limited to technology discovery, but include substantial cost savings. The OSD, Navy and Air Force Manufacturing Technology (ManTech) programs have been recently recognized by Vice Admiral David Venlet for their outstanding support to the Joint Strike Fighter (JSF) program. With a combined investment of less than $20M, their partnership has helped produce four manufacturing technologies that are projected to reduce F-35 program costs by $1.1 billion over 30 years of production.

OSD ManTech is leading the development of a pilot institute which will not only lead to a more competitive sector in "Additive Manufacturing", but also prepare the groundwork for a broader network of institutes, which can flourish into a vibrant, sustaining source of technologies, manufacturing tools, goods and products. This domestic capability will only grow if the national manufacturing ecosystem is structurally sound and fertile with opportunity. The National Manufacturing Competitiveness Strategy can provide this ecosystem, lowering barriers, encouraging investment and leveling the playing field with our trading partners.

Our endorsement of this discussion draft language is based upon the stated objectives, board membership and duties, and the lengthy list of topics to be considered during the comprehensive analysis and strategy development. However, we note that while the comprehensive analysis under Section 4, paragraph (c) does consider previously published reports, plans and recommendations, the entirety of these topics would seem to require considerable effort, and no staff, budget, or board support is specified. Obviously, resources will be required commensurate with the expected level of effort, and not be left to the private or public sector board members.

Chairwoman Bono Mack and members of the Committee, I'm honored to have had this opportunity to provide you a defense industry perspective on the importance of developing the needed national ecosystem to increase U.S. manufacturing sector competitiveness. Speaking for the NDIA membership, I thank you all for actively supporting U.S. manufacturing policies.

Mrs. BONO MACK. Thank you, Mr. Gordon.

Ms. Wince-Smith, welcome back to our committee. It is a pleasure to have you here again, and we are recognizing you for 5 minutes.

STATEMENT OF DEBORAH L. WINCE–SMITH

Ms. WINCE-SMITH. Thank you, Chairman Bono Mack, Ranking Member Butterfield, and members of the subcommittee, for inviting me to discuss Representative Lipinski's bill to promote the competitiveness of American manufacturing in the global economy.

The Council on Competitiveness is a 25-year-old nonprofit, nonpartisan organization uniquely comprised of CEOs, labor leaders and university presidents all working together to ensure U.S. prosperity.

Under the leadership of our chairman, Sam Allen, the chairman and CEO of Deere and Company, the Council is undertaking a multi-year U.S. manufacturing competitiveness initiative. Last December we released a National Manufacturing Strategy called MAKE: An American Manufacturing Movement. We addressed the key issues around talent, technology, investment and infrastructure to develop this action agenda. We are certain that the committee will find this comprehensive strategy useful in its efforts to support America's manufacturing future.

We know manufacturing is a cornerstone of American independence, economic prosperity and national security. The image of manufacturing as dumb, dirty, dangerous and disappearing is obsolete. Today manufacturing is smart, safe, sustainable and surging. It is inextricably linked to America's innovation capacity and a driving force leading our technological transformation from high performance computing, modeling and simulation tools in an exascale economy, to materials by design, advanced robotics, sensors, smart automation, and the new additive manufacturing revolution well underway.

And manufacturing is broader. It is more deeply integrated with services and has a higher multiplier effect on the economy than at any time in history. The manufacturing enterprise includes research, development, production, sales, distribution, logistics, customer service, marketing and support.

In short, manufacturing is a full lifecycle system extending from the making of physical products to the delivery of premium services. Understanding the full life cycle of production from startup to scale-up is essential if we are going to enact policies that will ensure the United States' long-term success.

Ms. WINCE-SMITH. OK. The council applauds continued increased public and political attention given to manufacturing. America's economic portfolio requires a healthy and growing manufacturing sector to tackle the grand macroeconomic problems facing our country, from job creation, sustaining our middle class, debt reduction, entitlement reform, to infrastructure investment for the future.

We urge Congress and the President to develop and implement a national manufacturing strategy that unleashes America's manufacturing potential in a time of great transformation. And we are pleased that the American Manufacturing Competitiveness Act of 2012 is progressing through the House.

Supporting America's manufacturing future does not mean an industrial policy of selecting favorite sectors or firms, subsidizing decaying industries, or adopting protectionist policies that inhibit fair global competition and trade. These tactics rarely prove effective. Instead, the government should focus on creating the right conditions for manufacturing to thrive. This is an imperative given the changing dynamic of global competition and the steady rise of state-supported capitalism coupled to predatory mercantilist trade policies, and targeted intellectual property theft, and pervasive cyber threats against our digital networks.

In this global, knowledge-intensive economy, the competitiveness of U.S. manufacturing has never been more uncertain or more important, and so the policy prescriptions must be right. America's economy needs accelerated productivity, faster economic growth. Our security requires a deeper, more resilient industrial base. And our private sector is deployed and prepared to produce solutions to meet national and global challenges in energy security, health, environment, food security, and, as I mentioned, pervasive threats to cyber networks.

Our global economic competitors are aggressively developing and implementing robust national manufacturing strategies. They are targeting high-value investment, they're targeting advanced production, and building skilled workforces.

Today's hearing is one of many critical steps Congress can take to keep America competitive in global manufacturing. This bill lays the groundwork and process for creating a national manufacturing strategy, and for developing and expanding the essential nonpartisan, public-private partnerships. The council hopes this committee and the full committee will continue to work in a bipartisan fashion to move this bill forward through the legislative process.

Americans have always been pioneers; we are risk takers, and we are makers. Our task is to create the enabling conditions for 21st century innovation and production in scale in America. We must establish a business environment, and nurture and grow the ecosystem that fosters breakthrough innovations, rapid commercialization and allows firms, both small and large, to succeed in the global economy. The council stands ready to work with you to set in place the policies needed to ignite a new era of competitive and sustainable manufacturing.

Thank you for this opportunity to be before you, and I look forward to your questions.

Mrs. BONO MACK. Thank you, Ms. Wince-Smith.

[The prepared statement of Ms. Wince-Smith follows:]

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Deborah L. Wince-Smith
President & CEO
Council on Competitiveness

Testimony before the House Energy & Commerce Committee's Subcommittee on Commerce, Manufacturing, and Trade

Legislative Hearing
June 1, 2011

Summary

The U.S. manufacturing sector is a key engine of innovation, wealth generation, job growth and national security. America cannot retain its position of leadership in the global marketplace without a robust and vibrant industrial base.

Although America remains the world's top producer, our nation has surrendered important manufacturing sectors. They were not all lost in the pursuit of cheaper labor, or as a result of products becoming low-margin commodities. We have lost production of cutting-edge innovations developed in America because of tax, regulatory, skill, finance and infrastructure limitations that make production elsewhere more competitive.

The challenges U.S. manufacturers now face are too complex and varied to be solved with the isolated policy approaches of the past. Instead, as a nation, we must develop and implement a comprehensive strategy that addresses the myriad barriers confronting our manufacturers. The following testimony will address several of these barriers, and speak to the critical need for a comprehensive national manufacturing strategy in greater depth.

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Introduction

Thank you, Chairwoman Bono Mack, Ranking Member Butterfield and Members of the Subcommittee for inviting me to discuss Representative Lipinski's bill to promote the competitiveness of American manufacturing.

My name is Deborah Wince-Smith and I am the President and CEO of the Council on Competitiveness. The Council is a non-profit, non-partisan organization composed of CEOs, labor leaders and university presidents working to ensure U.S. prosperity. Before I turn to discuss Representative Lipinski's bill, I would like to take a moment to contextualize my remarks.

The Council on Competitiveness and Manufacturing

In December of 2011, the Council released *MAKE: An American Manufacturing Movement* – a comprehensive national manufacturing strategy. *MAKE* represents the culmination of more than 18 months of exhaustive research that began with the launch of the Council's flagship U.S. Manufacturing Competitiveness Initiative (USMCI). Led by Samuel R. Allen, Chairman and CEO, Deere & Company; Chairman, Council on Competitiveness, the USMCI is a multi-year effort that is beginning a new dialogue on the policies and practices necessary to ensure the long-term success of American manufacturing. Since its inception, the USMCI has convened a dynamic cross-section of America's top private sector leaders, representing the entire manufacturing value chain, to develop comprehensive policy solutions that will make the United States the most fertile and attractive environment for high-value manufacturing.

The USMCI builds on the heritage of two landmark Council efforts of the past decade. The 2004 National Innovation Initiative, which identified advanced manufacturing as an over-the-horizon issue to be addressed in order to preserve U.S. innovation capacity, and the 2009 Energy Security, Innovation and Sustainability Initiative, that yielded important insights about securing the future of U.S. manufacturing.

The Road to *MAKE*

Concurrent with the launch of the USMCI in 2010, the Council and Deloitte released the *2010 Global Manufacturing Competitiveness Index*, a survey of 400 C-suite manufacturing executives worldwide on manufacturing competitiveness today, and global competitiveness over the next five years. The *Index* is a groundbreaking analysis of the decision-making process in the manufacturing sector, and has been a strategic tool to advance the Council's work since its release.

Building on the findings in the *2010 Index*, the Council and Deloitte again teamed to develop the *Ignite* report series: a multi-part, interview-driven project that captured insights from diverse leadership groups across the American manufacturing landscape. The first report, *Ignite 1.0 – Voice of American CEOs on Manufacturing Competitiveness*, was released in February of 2011, and recorded the input of nearly 40

CEOs on the measures necessary to advance U.S. manufacturing. Many of you may recall my testimony before this subcommittee in March of 2011 about this important report. The second, *Ignite 2.0 – Voices of American University Presidents and National Lab Directors on Manufacturing Competitiveness* was released in August of 2011, and highlighted the perspectives of over 30 leaders in higher education and advanced research on the role education, research and discovery play in ensuring America's manufacturing future. Released in December 2011, *Ignite 3.0 – Voice of American Labor Leaders on Manufacturing Competitiveness,* the third and final *Ignite* report, featured the insights of more than a dozen of America's top labor leaders on the measures needed to reinvigorate the domestic economy and encourage growth of well-paying, high-skills jobs in the United States.

Another major thrust for the USMCI is the ongoing "Out-of-the-Blue" dialogue series, through which Council members across the country host dynamic manufacturing discussions. These strategic conversations have brought together over two hundred experts and practitioners from the Council's broader network – including CEOs from multinationals and start-ups, research university and community college presidents, national lab directors, labor leaders and others. Dialogue topics range from Accelerating Commercialization and Deploying Advanced Materials to Increasing Access to Risk Capital and Building a World-class Workforce. Participants challenged themselves and the nation to re-think what can and should be done to achieve America's full manufacturing potential, and their collaboration revealed many unexpected solutions.

These efforts, in conjunction with ongoing research by Council staff, were distilled to form the Council's *MAKE* report, and the recommendations it puts forth.

The Importance of a National Manufacturing Strategy

Manufacturing is a cornerstone of American independence, innovation, economic prosperity and national security. Manufacturing is broader; more deeply integrated with services and has a higher multiplier effect on the economy than at any time in history. Manufacturing includes research, development, production, sales, distribution, logistics, customer service, marketing and support. It extends from the making of physical products to the delivery of services. Understanding the breadth of today's manufacturing is essential to develop policies that ensure the United States will be competitive in the long-term.

Today, there are enormous opportunities to increase U.S. production and grow exports. The digital, biotechnology and nanotechnology revolutions are unleashing vast potential for innovation, manufacturing and services. They will enable new business formation, product development and job creation. In some cases they will serve as platforms for new industries and markets, but strategic government support is essential to fully realize these opportunities.

Supporting American manufacturing does not mean an industrial policy of selecting favored sectors or firms, subsidizing decaying industries, or protection from fair competition. These tactics, while used at times, rarely prove effective over the long-term. Instead, the government should focus on creating the right conditions for manufacturing to thrive, especially given the changing dynamic of global competition and the steady rise of state-supported capitalism.

We applaud the increased public and political attention given to manufacturing. America's economic portfolio requires a healthy and growing manufacturing sector to tackle the grand macro-economic problems facing the country, like job creation, debt reduction and infrastructure investments. To that end, we urge Congress and the President to develop and implement a national manufacturing strategy to maximize America's manufacturing potential. And we are pleased that The American Manufacturing Competitiveness Act of 2012 is making its way through the House.

The Council's *MAKE* report highlights many of the challenges outlined in The American Manufacturing Competitiveness Act of 2012, and calls for a comprehensive and integrated set of actions to support American manufacturing excellence. Of the key recommendations, *MAKE* emphasizes the following:

1. We need to enact fiscal reform, transform tax laws and reduce regulatory and other structural costs to fuel the innovation and production economy from start-up to scale-up. These policies must improve the rule of law, reduce uncertainty in the business climate, encourage risk-taking and ease access to investment capital.

2. We must utilize multilateral forums, forge new agreements, advance intellectual property protection, standards and export control regimes to grow high-value investment, expand exports, reduce the trade deficit, increase market access and aggressively respond to foreign governments protecting domestic producers.

3. We need to prepare the next generation of innovators, researchers and skilled workers at every level to harness the power and potential of American talent to win the future skills race. Production work today is knowledge work.

4. We must create national advanced manufacturing clusters, networks and partnerships, prioritize R&D investments, deploy new tools, technologies and facilities, and accelerate commercialization of novel products and services to achieving next-generation productivity through smart innovation and manufacturing.

5. And we need to develop and deploy smart, sustainable, secure and resilient energy, transportation, production and cyber infrastructures to create competitive advantage through next generation supply networks and advanced logistics and systems.

The adoption of comprehensive, pre-competitive policies – i.e. policies that do not provide undue advantage or disadvantage to a particular industry or sector – are of great importance to the long-term strength of our nation's manufacturing base. The recommendations above address some of the most pressing challenges facing U.S. manufacturers today, and while useful if implemented individually, would have a far greater impact if implemented as a suite of solutions, geared to support organic growth of the American industrial base while strengthening and deepening critical domestic supply networks. Bills like The American Manufacturing Competitiveness Act of 2012 are important steps on the path towards a national manufacturing strategy; the tool through which to integrate otherwise disparate manufacturing policies into a comprehensive agenda that empowers America's entrepreneurs, spurs economic growth and ensures our national defense.

Manufacturing is central to the life-cycle process that brings solutions to customers. This involves cutting- edge science and technology, design, modeling and simulation through advanced computing, systems engineering, testing and verification and the contributions of complex supply networks. It also involves a wide range of services and transactions, transportation, maintenance and energy, plus the talent of many occupations—all of which are in addition to "bending metal." Firms that commercialize new technologies and scale production grow faster, are more profitable and create more jobs than do other firms.

Unfortunately, government policies and programs tend to focus almost exclusively on product R&D, technology transfer and, in some ways, early stage commercialization. These phases are all critically important, but manufacturing at scale and manufacturing technologies are often not considered a part of the innovation ecosystem. In fact, they are often discounted, creating a negative ripple throughout the manufacturing value chain. A broad array of government polices, both foreign and domestic, have important impacts on the innovation and production process, from research funding to taxes to market access. Presently, U.S. policies are not aligned with the full life-cycle perspective of innovation that includes production at scale.

Without strong public and private support for the complete life-cycle innovation and production process, the United States cannot maximize the return on its innovation investments—a return measured in jobs, growth and tax revenue. Today, foreign investors—especially through sovereign wealth funds—acquire production of U.S.-developed technologies and innovations. Even domestic investors typically condition their investment in new technologies on a business plan that directs manufacturing abroad.

The policies, programs, strategies and business models that worked in the past are inadequate to secure America's future. Government, business, labor and academic leaders must rethink and retool the nation's business environment to seize emerging opportunities and address several shortcomings. These goals are best met through a national manufacturing strategy.

Conclusion

Our global economic competitors aren't waiting. They are aggressively developing, implementing and succeeding with their own national manufacturing strategies. It's time to act in our self-interest.

Americans have always been pioneers, risk-takers and makers. Our task is to set those impulses free and embrace production once more. We must create a business environment that fosters breakthrough innovations, rapid commercialization and manufacturing at scale. Americans have proven adept at rising to the economic challenge of their time. Such a time is now for manufacturing—and we stand ready to work with you to set in place the policies needed to ignite a new era of competitive and sustainable manufacturing.

Thank you.

Mrs. BONO MACK. The chair now recognizes herself for 5 minutes for questions, and I will direct my first question to Mr. Mottl.

As we all know that there was a jobs report released today, and unemployment rose to 8.2 percent as the sluggish economy added only 69,000 new jobs, which was the fewest number in a year. These are dismal reporting numbers.

But can you speak to—you are a fourth-generation, family-owned and -operated business. What do you see as the biggest threats to your ability to compete?

Mr. MOTTL. Well, related to the employment number, I can say I personally had a 10 percent employment growth last month, so we hired eight new people. But in terms of that issue, we have a very hard time finding skilled and trained workers right now. We are busy, and we have growing demand, and I am just having a very hard time hiring people who have the skills to work. Now, I think if we had this act in place, maybe some of those issues would have come out, and we would have some policy addressing that issue.

The other problem that I see as a manufacturer, you know, having many, many years in business is that we talked about the defense base. About 30 to 40 percent of our business is defense. The other large portion of that is commercial. And any small business will tell you that they probably have two or three key customers, and without those customers they really couldn't operate.

I have seen a lot of my larger key customers leave—largely leave the country probably due to predatory trade policies where they, you know, can assemble products a lot cheaper elsewhere. That is my personal opinion. But in terms of how does that affect defense base, well, as I lose my large key customers, I am more dependent on the defense work or the remaining work that is here. I am less competitive serving that because my capacity is not just shared over, you know, commercial work as well as defense work, it is now more defense related. So it makes me less competitive, and all of these issues together, I think, are things that would come out if you had a national strategy act to look at this and develop policy around that.

Mrs. BONO MACK. Well, can you speak to specific changes in U.S. Policies that you would like to see implemented to help to improve the environment?

Mr. MOTTL. Yes. Specifically, there are some trade issues. I am a free market advocate myself, but I think as we integrate into a global economy where there is a lot more planning going on and—in other economies, and we are trading with people like that, we need to figure out how to address that and how to keep our sectors competitive with that.

Specifically tax policy. We don't have the most competitive tax policy here in the U.S. for manufacturers who want to export. From my perspective, we trade with a lot of countries who have adopted a VAT tax in favor of a lower corporate or eliminated corporate income tax.

If you look at that in another light, not in manufacturing, you might not like that policy, but if you look at that in terms of manufacturing, and exporting and creating jobs, companies that export get that VAT tax refunded to them, whereas U.S. companies have their income tax and all of their taxes built right into the cost of the product, so it makes it less competitive when you export it.

So some of these policies, if you look at it in the light of manufacturing, look a lot different.

Mrs. BONO MACK. Thank you.

Ms. Wince-Smith, the legislation before us tries to avoid creating a new government bureaucracy by relying heavily on input from the private sector, which is intended to include the full range of nongovernmental organizations and nonprofits. It also tasks the Board with looking at ways to streamline government processes or cut back on unnecessary regulation.

Can you agree with that approach? Do you want to speak to that a little bit?

Ms. WINCE-SMITH. Yes, I think that is one of the very positive elements in the proposed legislation, because the bill recognizes the full panoply of private-sector leadership that is required to really develop and enact a national strategy that is a systems integration effort. So I think the types of expertise identified in the legislation are right on.

In terms of not duplicating and ensuring a smooth-function bureaucracy, we are making a lot of progress in integrating manufacturing in the administration, and I certainly want to applaud the efforts of the administration to do that. However, we can do a better job on that, and I think that this national strategy will be one more step with congressional involvement to encourage that.

The defense sector is a huge leader in what we are talking about, and yet defense, because of its imperative for national security, really, I think, is not fully utilized in the transformation. At the end of the day, this manufacturing need is a huge national security initiative.

Mrs. BONO MACK. Thank you.

I am going to yield back my last 20 seconds and recognize Mr. Butterfield for 5 minutes.

Mr. BUTTERFIELD. Thank you.

Dr. Singerman, thank you very much for your testimony. I understand that there are a number of initiatives underway as a result of President Obama's intense focus on manufacturing. This includes initiatives that are underway at the White House, and some through the Department of Commerce, and some in other places of the executive branch.

As you might be aware, this isn't the first time that we have considered Mr. Lipinski's bill. In the last Congress on a bipartisan basis, we reported a different version of his bill out of this committee and passed it through the House, but it never made it through the other body.

At that time we really weren't aware of all of the things that you guys are doing in the executive branch related to manufacturing, and now we know. And since that time we also have seen Congress push through its own ideas to put more emphasis on planning and policymaking related to manufacturing.

I believe that—let me just skip to the question. Given what you know about current efforts to bolster manufacturing, can you please share with us your thoughts about how we can make H.R.

5865 an effective and useful addition to what the Commerce Department and administration already have underway.

Mr. SINGERMAN. Thank you, Mr. Butterfield, for that question. Let me say that I generally concur with the sentiments that have been expressed by the committee, and my colleagues on the panel, and Mr. Lipinski about his legislation, the importance of manufacturing to the Nation's innovation ecosystem and to our global competitiveness, and the importance of a national strategy—not a Federal strategy, but a national strategy—in support of advanced manufacturing to identify public and private investments and policies to support that.

But we have been working with Representative Lipinski's staff, have had conversations with them about this legislation, and we are delighted to work with the committee as you consider this bill.

I think a number of the members of the subcommittee raised questions about coordination, and the chairwoman raised a question about duplication and bureaucracy. These are issues that I think the committee will consider as it addresses this legislation moving forward.

Mr. BUTTERFIELD. What are examples of times when the Commerce Department or, more specifically, the National Institute of Standards and Technology work closely with the private sector?

Mr. SINGERMAN. It is a very good question. We have a Visiting Committee on Advanced Technology, which is composed of leaders from the academic and industrial sectors. It is a Federal advisory committee, so it is a public body. It is a very high-level body, and it provides advice to the Under Secretary of Commerce for Standards, Patrick Gallagher, and his management of the organization.

This Congress in the America COMPETES Act created—directs two studies, one by the Department of Commerce on innovation and competitiveness capacity. NIST was closely involved in supporting that, and that study was overseen by an external advisory board.

We are also supporting, as I indicated in my testimony, the Advanced Manufacturing Partnership, which is a private-sector-led industry and academic group of leading research universities and global companies to provide guidance to the administration on the development of policy.

There are several other examples, but those are just a few that——

Mr. BUTTERFIELD. So you clearly recognize the private sector as a stakeholder in this process?

Mr. SINGERMAN. Absolutely.

Mr. BUTTERFIELD. And you do that enthusiastically?

Mr. SINGERMAN. Yes. I would also add the Manufacturing Extension Partnership's Advisory Committee, also a Federal advisory committee, which focuses on the needs of small and midsize manufacturing firms, again, populated by private-sector individuals from community colleges, industry, and professional societies.

So this is really a theme of the administration reaching out to the private sector to provide guidance to our activities.

Mr. BUTTERFIELD. Thank you. I yield back.

Mrs. BONO MACK. Thank you.

Mrs. Blackburn is recognized for 5 minutes.

Mrs. BLACKBURN. Thank you, Madam Chairman.

Dr. Singerman, I want to stay with you for just a minute on that, because you testified that government should avoid industrial policy and making bets on particular companies and industries, and should invest in innovation policy to create the best overall business environment.

Now, I agree with you. I think that picking winners and losers is a very bad idea, and frankly, this administration just really hasn't been very good at it. When you look at what has happened with Solyndra and Beacon Power and InterOne, all casualties, if you will, of the DOE loan program, and that trying to get in here and manipulate and pick those winners and losers. So the track record there isn't very good.

And the purpose of the Advanced Manufacturing Partnership that you were just mentioning is to bring together industry, universities, and the Federal Government to invest in emerging technologies. Am I saying this right?

Mr. SINGERMAN. Yes, that was my testimony.

Mrs. BLACKBURN. OK. And so the purpose, they will invest in these that will create high-quality manufacturing jobs. So my question to you is this: Is that not picking winners and losers in terms of which technologies that you are going to back?

Mr. SINGERMAN. So that is a very important question, and obviously a question that has——

Mrs. BLACKBURN. I think the differentiation is very important.

Mr. SINGERMAN. A very important question and a very important differentiation. And the focus of the Advanced Manufacturing Partnership, and I would also say the efforts that we are involved in at the National Institute of Standards and Technology, are not focused on funding individual companies. We recognize that one needs, as I think other members of this panel have mentioned, a balanced and comprehensive approach that looks at trade.

Mrs. BLACKBURN. OK. Then let me come at it like this with you. OK. What are the emerging technologies that you are wanting to go for? And then who gets to decide what those technologies are going to be? Whose decision is it to pick out and say, all right, we are going to go invest in this technology and not this, because in this committee we look at the issue of energy, the picking winners and losers and trying to go after wind and solar and not an all-of-the-above hasn't fared very well.

So what are the criteria that they are going to base this on, and who are going to be the elites that make the decision of what wins and what loses?

See, I like competitiveness, and I like the marketplace making these decisions rather than a group of people that have been self-identified as being pros in this and thinking that they are going to self-vet their opinions and arrive at a decision. So I have got a little bit of a problem with that one.

Let me move on. I have got just a minute and a half left. I want to talk a little bit about information technology and piracy. In my area in Tennessee, we have a lot of auto manufacturing, we have financial service applications, health care, entertainment that are all dealing with this. So when you look at the issue of competitiveness as far as it relates to intellectual information technology in-puts and IP protections, I want to know what any of you are doing that we can quickly state, and then if the Department and Commerce and the FTC has been helpful or has not been helpful.

Anyone want to respond?

Ms. Wince-Smith, go ahead.

Ms. WINCE-SMITH. Thank you, Congresswoman Blackburn.

I think this issue of protecting and dealing with the cyber infrastructure is at the top of the list, because virtually every private sector and government network is being consistently targeted by adversaries, and some even, I think, of our trading partners. We have to have an integrated strategy for this and actually the enabling technologies that enable us to both protect and ensure that these cyber networks are operational, because everything depends on their resiliency and performance. So it is a huge priority for our country.

Mrs. BLACKBURN. OK. Thank you.

Any addition to that?

No, OK. Thank you.

Mr. Mottl, I will just say manufacturing added only 12,000 jobs this past month, so I am glad to know where 800 of those jobs were added. So it looks like you were the winner in the month.

Quickly, do you think this administration's economic policies are helping or failing you? Anyone want to answer?

OK. Go ahead.

Mr. MOTTL. It was eight jobs, but I wish it was 800.

Mrs. BLACKBURN. Eight. OK. I thought you said—I misheard you, so we will correct that record.

Mr. MOTTL. You know, related to the administration's efforts and what you talked about picking winners and losers, you know, I think we have to have a good overall policy like we talked about, a good competitive policy. But in addition to picking winners and losers, I think our competitors are doing that, and maybe I would argue that what happened with Solyndra and with those industries was that we did not do a good enough job supporting them. I would say that some of our trading partners——

Mrs. BLACKBURN. I would probably take issue with that, and my time has expired. So I thank you for the answer.

Mrs. BONO MACK. I thank the gentlelady.

And the chair now recognizes Mr. Gonzalez for 5 minutes.

Mr. GONZALEZ. Thank you, Madam Chair.

This is my biggest fear. I would be supportive of this bill because obviously I was supportive of its last version and such. The issue I take is simply I actually see that we are ignoring things that are systemic that took over a number of years to develop in this country, and we are facing the consequences now. My problem is we can have another commission, we can have another board, but we are all—both Congress and the private sector are whistling past the graveyard.

Let me give you my take on things, and I am going to be quoting from different articles over a period of time. This is from the Hamilton Project. It was cited in an article in the Post on January 19, 2012: From 2001 to 2007, investment in equipment and software, the kinds of investment that boost productivity and create good jobs, declined 15 percent as a share of our GDP.

Something has been happening out there. Where is our GDP? Where do we invest our money?

The combined assets of conventional banks and so-called shadow banking systems grew from a mere $500 billion in 1970 to $30 trillion in 2008. In the 1970s to the 1980s, financial firms comprised 15 percent of all corporate profits. By 2006, it was up to 33 percent. Financial services gradually comprised nearly 62 percent of GDP. You better figure out where that money is being invested.

What we want in the greatest return—to be honest with you, I don't even know where my 401 is being invested. If I was a teacher, I don't know where my pension—but I guarantee you, it is going to be usually in the highest-yielding products out there, which generally do not create jobs in the United States of America. We are not doing anything about it. And maybe this is one way that we can bring people together and address it.

This is Harold Meyerson way back on January 5, 2011, in the Post: There is a way to look at the recession, that it is institutional, that it is a consequence of the decisions by leading banks and corporations to stop investing in job-creating enterprises that were key to a broadly shared prosperity. The share of profits of United States-based multinationals that came from their foreign affiliates had increased from 17 percent in 1977 and 27 percent in 1994 to nearly 50 percent in 2006.

This is Nouriel Rubini in a Post article of September 17, 2010. 2010. Most policy approaches, including the Obama proposals, have tended to subsidize the demand for capital rather than the demand for labor. That has the problem backwards.

In the second quarter of 2010, capital spending reached an annual growth rate of 25 percent. The argument that increased demand for capital leads to greater demand for labor—that is, if you buy more machines, you need workers to run them—has not held up. Firms are investing in capital goods, equipment, and offshore offices that allow them to produce the same amount of goods with less and lower labor costs.

We exceed all other countries in productivity. We do more with less, and with the recession, obviously that may have been needed, but we have reached the breaking point. To avoid a chronic increase in the unemployment rate, we need to subsidize the demand for labor, achieving job creation rather than making it cheaper to buy capital, as investment and other tax credits would do.

And that is the focused approach that goes back to what Mr. Butterfield was saying about preparing a workforce to be globally confident in products and services that are produced in this country, that can be consumed in this country, as well as exported. We are not doing much of that.

And I thank you for your testimony today, and obviously, I am using my 5 minutes to basically set out there what we are all ignoring, both in the private and public sector, and until we come to grips what got us to where we are today, we are not going to undo it.

I have 30 seconds, but I do want to ask Mr.—is it Mottl, is that how you pronounce that? How were you able to hire eight additional folks? What were the contracts, the nature of the contracts? I am real curious about that.

Mr. MOTTL. Well, primarily we are hiring in the machining and turning departments for programming, and these are highly skilled, highly technical positions. I have had to increase wages. You know, we were initially advertising around $20 an hour. We were hiring people at $25 and $26 an hour. We were stealing people from other companies because there is just, quite frankly, not a trained labor pool out there. So that is how I was able to find those people.

Mr. GONZALEZ. And where is this demand emanating? I mean, in other words, the contracts are coming; is it private, or is it government, local, State?

Mr. MOTTL. Defense work has driven a lot of my growth right now. My telecom business has been shrinking, and we have looked for other markets. It has been defense. Also some of our industrial products and our heavy equipment. We do a lot of work for Caterpillar, and that has been growing, but it has been defense, some heavy equipment, and then some general industrial products for export.

Mr. GONZALEZ. Thank you very much. I yield back, Madam Chair.

Mrs. BLACKBURN [presiding]. I thank the gentleman.

At this time Mr. Harper is recognized for 5 minutes for questions.

Mr. HARPER. Thank you, Madam Chair.

And thank each of you for being here today and giving us some insight into what is going on in the manufacturing world.

Mr. Mottl, I have a couple of questions I would like to ask you, if I may. If we benchmark our manufacturing environment and capabilities against our closest competitors, let us say, in other countries, whether that is Germany or China or Japan or others, if you were to align those, where would you expect to see the biggest differences between us and those competitors?

Mr. MOTTL. I would say it is definitely going to be in tax policy. It is going to be in education and training. In Germany, they do a lot more vocational training, which is given legitimacy along the lines of a college degree. I would love to see that here. Also in terms of trade and whether it is supporting exports or protecting industries that you want to see, I think other countries take a closer look at that.

Mr. HARPER. What are some of the issues that you see or think of as a manufacturer that—of those issues, how would you implement those or make them part of the core of our national strategy, particularly on the education issue? I am certainly intrigued by that and how we can implement that here. We are seeing it some, particularly in my home State of Mississippi, that a lot of the community colleges are taking that approach for job training, and we are seeing that. Anything along those lines that you might see?

Mr. MOTTL. Yes. In Illinois, there are a lot of community colleges doing this as well. My association, TMA, also has taken a lead role. We have had a historical leg up in this training. They have been training since the 1920s. We work with some of the MEPs. I have seen some great things out of those programs.

But again, there is a fractured—there are a lot of different groups doing this, and there is no one really comprehensively bringing those programs and policies together and saying, "This is the best practice; we are going to go with this program because it has really worked."

Mr. HARPER. Madam Chair, in light of the time restraints, I will yield back.

Mrs. BLACKBURN. The gentleman yields back.

At this time Mr. Sarbanes is recognized for 5 minutes for questions.

Mr. SARBANES. Thank you, Madam Chair.

I wanted to ask Dr. Singerman a question about the scouting—Supplier Scouting Program inside NIST. Before I ask you the question, I just want to read a little bit about it to the committee and to anyone who is not aware of it, because it is a great success, and I want to ask some follow-up questions about how we may be able to expand this.

So within this, you have the Manufacturing Extension Partnership, which is an attempt to work with manufacturers all across the country, support their efforts to network and make connections, and get real concrete opportunities.

The Supplier Scouting, which is part of the MEP's Make It in America Initiative, has worked to streamline Federal agency contracting with small and medium U.S. manufacturers. The program does this by connecting manufacturers with the procurement offices of various Federal agencies and assisting in the expansion and development of the manufacturers' product offerings to respond to the government's evolving contracting needs. The program has been a great success helping to ensure Federal agencies such as DOE, DOD, and DOT comply with the various Buy American statutes, while simultaneously bolstering the U.S. Manufacturing base.

For example, in the case of the Department of Energy, of the 83 Buy American waivers filed by the agency suggesting that there were no U.S. Manufacturers to supply their contracting needs, the Supplier Scouting Program was able to identify 39 matches between U.S. manufacturers and the Department of Energy, representing a 47 percent success rate. Subsequently, 65 different U.S. manufacturers received business from the Federal Government. This is business that would otherwise have been shipped overseas. And there are other examples of the success.

Let me ask you a couple of questions. Has there been interest from other agencies in entering into the Supplier Scouting partnership similar to that of the Department of Transportation, Department of Energy, or Department of Defense? Are you aware of that?

Mr. SINGERMAN. Let me answer that by just adding some context to your question for the committee.

The Manufacturing Extension Partnership program has been in existence for nearly two decades. It is a public-private, Federal-local program in which the Federal Government provides a third of the funding, the private sector provides a third of the funding, and State and local governments provide another third of the funding. Every State has a center. Some States have more than one center. These are typically—these are nonprofit, often university-affiliated organizations. These are not Federal employees or Federal organizations. The Federal Government is a partner with local organizations. And in the 60 centers with over 400 locations in every State, there are approximately 1,400 experts, generally from manufacturing backgrounds, who have expertise in various areas of specialty and know their industries in their communities.

And it is through this national network that suppliers are identified for opportunities that the Federal Government and increasingly the private sector have, where they need suppliers, small and midsize firms, but are unable to find them.

We have started to work closely with the Small Business Administration, which has a complementary program working with the private sector.

Representative Sarbanes, you mentioned the Department of Transportation. That has been a highly successful program, particularly in the area of high-speed rail, a sector that this country has not been a leader in in the past, and there was a perception that there were no small firms that could supply material for the large construction programs. The MEP program organized well-attended hundreds of small firms at meetings on the west coast, in Chicago and most recently in Florida, and has made numerous connections, actual deals, product sales for small firms working with the Federal agencies, and, through those, the Federal agencies, contracting through large companies to build high-speed rail. So it has been an extraordinarily successful program.

Mr. SARBANES. I am running out of time, but first of all, I wanted to say that I think that Congressman Lipinski's bill is a terrific opportunity to focus us generally on these manufacturing issues, but programs like the Supplier Scouting Program can really help to bolster that focus. Are there plans to make sure that there is continued support financially within the MEP budget for the Supplier Scouting Programs?

Mr. SINGERMAN. So, the MEP program has ceded these efforts, but we have relied upon contracts, if you will, or interagency agreements with the Department of Transportation, Defense Logistics Agency, Department of Energy to fund the additional effort that is required on a really one-to-one, boots-on-the-ground basis to identify those firms that have the capability or could develop a capability to provide the products and services to these Federal agencies and increasingly to private companies.

Mr. SARBANES. Thank you. I yield back.

Mrs. BONO MACK [presiding]. The gentleman's time has expired. The chair recognizes Mr. Kinzinger for 5 minutes.

Mr. KINZINGER. Well, thank you, Madam Chair. And again, thank you for—to all of the witnesses coming in. I really appreciate.

The manufacturing sector has received obviously a lot of attention recently, but it hasn't always been a focus. I think specifically, you know, 10, 20 years ago, I remember hearing members of government saying that, in essence, manufacturing was out of vogue, and we have moved beyond a manufacturing economy.

One portion of this bill that I think is important is it puts in place a Presidentially confirmed group of private-sector and government experts that will focus our attention on manufacturing for two distinct Presidential terms.

Do each of you believe raising the stakes in the creation of a Board that delivers recommendations to Congress, do you believe it will lead to a greater consensus on policies or actions that will improve the environment for American manufacturing?

And we will start with you, ma'am.

Ms. WINCE-SMITH. I think it will if it is comprehensive. And you just mentioned, Congressman, that manufacturing itself meets the new definition. It is far broader than the making of something. It is this whole complex supply system, the marketing, all of that. If we can address all of those issues and ensure that Treasury and Justice and other agencies in our government that have such an impact on policy are part of this, it will be very successful.

Mr. KINZINGER. And I think that is a good point. I mean, the reality is manufacturing is not a thing. It is an idea. And to really get a grip on the idea and all of the ancillary parts of it and everything that is involved, I think to have people committed to sitting around and having a discussion or a talk about the big picture and how are we going to put our arms around the big picture and every facet of it is better than really kind of muddling through in a, you know, piecemeal kind of basis.

Mr. GORDON.

Mr. GORDON. I would absolutely agree with that.

In fact, in the Defense Department one of the things that Congress has already done in the NDAA from 2011 is to establish a manufacturing and industrial-based policy instead of just an industrial policy, is manufacturing and industrial-based policy, essentially moving the organization responsible for manufacturing within DOD up four levels, much higher, to the Secretary of Defense.

In addition to this, you have already heard what I talked about in terms of advanced manufacturing now being one of the top three priorities for R&D, and the Department's S2D2, which is a sector-by-sector and technology-by-technology study of what needs to happen in the industrial base.

Mr. KINZINGER. I would hate to see us in a position where we are someday having to buy dumbed-down equipment from other places just to defend ourselves against potentially anybody.

So, Mr. Mottl, welcome, from Illinois, Land of Lincoln.

Mr. MOTTL. Thank you. Yes, great, great State.

I would agree with what was said before, and I think the key is sustaining things. You know, success doesn't happen when you kind of pop in with an idea and then disappear. You need to sustain it.

And then the other end of it is action. You know, a lot of these recommendations come out of a lot of groups. I am hoping that this, like we said, a comprehensive, formal approach, will actually lead to legislative action to solve some of the problems, Because there are plenty of reports out there right now, but having to all come together, and action has not occurred.

Mr. KINZINGER. I agree with you.

Dr. Singerman.

Mr. SINGERMAN. I would only add that I think it is important, as has been mentioned by the members of the subcommittee, for the private sector to be closely engaged and leading this effort, working with the public officials at the Federal and State level.

Mr. KINZINGER. Now, I saw that the Chicago-area factory output fell to a 2 ½-year low in May, showing signs of a slowing economy in Illinois. I would argue it is because many of Illinois' government policies are very unfriendly to surrounding States, and just like the United States needs to compete with other countries in the world, Illinois needs to compete, and unfortunately some of our leadership has not gotten that message.

The State of Illinois is burdened by insurmountable debt that I believe is inhibiting manufacturing growth. In our legislation we include two governors selected by both parties as members of the board.

Can each of you speak a little bit and actually very briefly, I have got about 50 seconds, about the importance of the role of State governments in fostering environment for manufacturing and growth?

And we will start with you, Dr. Singerman.

Mr. SINGERMAN. I would like to speak to that, because we, at the Department of Commerce, in this view the role of States as crucial in developing a national strategy for manufacturing resurgence. And although we agree that the Federal Government should not have an industrial policy, I agree with Representative Blackburn, States all have industrial policies. Every State picks winners and losers. The States that I have been affiliated with, Pennsylvania and Maryland, and knowledgeable about other States as well, they all have very concrete programs to invest in particular companies or loan dollars to particular companies.

What the Federal Government can do uniquely that States cannot do is provide the context and the R&D funding at a high level through the National Science Foundation, through NIST and other agencies to provide the basis for the States.

Mr. KINZINGER. Thank you.

Just if I may, just very briefly, Mr. Mottl, if you want to address.

Mr. MOTTL. For example, workers' comp in Illinois is a huge problem compared to our neighbors. It is $1,000 per employee for me in Illinois; in Indiana it would be $400 per employee for my same coverage. So——

Mr. KINZINGER. You are not the only one I hear that from.

Thank you, Madam Chair. And I yield back.

Mrs. BONO MACK. I thank the gentleman.

The chair now recognizes Mr. Rush for 5 minutes.

Mr. RUSH. Madam Chairman, I want to thank the ranking member, Mr. Butterfield, for holding hearings on these important matters.

My question is about H.R. 5865. The world today looks like a wide-open field in the midst of a high-stakes economic marathon as frontrunners, other countries are trying to surpass the U.S. It was predicted that this year, this past year, 2011, the U.S. manufacturing industry—it is interesting that our Nation is dominated, is on a path to finish this economic marathon in second place after China. I certainly hope that this is not the case. But I also feel as though unless we change course now, it is probably going to be true.

In the same token, the political unrest and turmoil that we are witnessing overseas and even in our own country is clear evidence that job creation is a top priority for all of us.

I understand that the bill that we are considering is a bipartisan bill, and I hope, Madam Chair, that in the rewrite of the bill, that you have engaged with both sides of the aisle for all the changes that I have seen on this bill, as we did when we adopted H.R. 4952, during the last Congress.

America's manufacturing sector is an important and exceptional foundation for the future of our country, considering the fact that in 2009 the manufacturing sector employed more than 11.5 million people. But the surprising thing about this is although it is significant, when you consider the Nation actually lost 5.8 million jobs between 1999 and 2000, then that certainly kind of balances our enthusiasm.

And I agree that our—with my colleagues on the other side that we live in a very competitive economic environment that requires an aggressive, multifaceted policy agenda to bring our industry back to where it was before the recession.

What I disagree on is the methodology that would lead us to our global competitive advantages again. And it is clear that the objective is not just to have a competitive manufacturing industry, but, more important, to have an industry that creates jobs here in America.

So that said, Dr. Singerman and Ms. Wince-Smith, what safeguards can we put in place to make sure that the Board created by this bill will indeed develop a strategy that is centered on jobs, job creation, and competitiveness?

Ms. WINCE-SMITH. Well, I think in terms of the job-creation opportunity, it is huge, but it has to be addressed in the context of the jobs of the future, not protecting the jobs of the past. And if we just look at the energy sector alone, where this country is poised to really have game-changing capabilities and resources for energy security, think of the manufacturing supply chains and the added value that will come if we could move out aggressively in that particular component of the manufacturing enterprise, energy alone.

I would also add on the job front that if we don't change, and this has been said, our training systems and training in a way that recognizes the full component of jobs in 21st-century manufacturing, we will continue to see other nations beat us in the global war for talent, which is part of this. So, I think we need to look at these issues in the national strategy in a very broad way, but recognize the opportunities, not focus on protecting the jobs of the past.

Mr. RUSH. Do you care to respond?

Mr. SINGERMAN. Yes, sir.

Just to build off of Ms. Wince-Smith's comments, in order to create the jobs of the future, we have to invest in research and development now, which creates the infrastructure, the technological infrastructure, that enables companies like Mr. Mottl's and others', to build products and provide specific services.

The program that the President announced in March for a national network for manufacturing innovation is designed precisely to do that and to solve a very particular problem that has arisen over the last three decades, the growing gap between basic research, which the Federal Government properly supports, and applied research, which is the province of the private sector.

What we find is that there is a growing gap in the middle. Sometimes people call it the "valley of death." And the purpose of these manufacturing institutes is to bridge that valley of death in a public-private partnership. That is the vehicle that this committee has been talking about, the mechanism, and that is the institutional arrangement that is conceived of and the development of the manufacturing institutes.

So, research and development, but in a collaborative, industry-led, academic, Federal Government-supported mechanism.

Mr. RUSH. Madam Chair, I yield back.

Mrs. BONO MACK. The chair recognizes Mr. Pompeo for 5 minutes.

Mr. POMPEO. Great. Thank you, Madam Chairwoman.

And I want to say thank you to Mr. Lipinski for working. You came with this legislation to me several months ago and asked for my input, and I really appreciate that, and have had the chance to try and help shape what we are working on.

I am often skeptical that another board, another agency will help us very far down the road, but I think this is a good step to get the private sector engaged and come up with some core principles that everyone can rally around.

Mr. Mottl, I won't take my whole 5 minutes, but I want to ask you a question.

First, I want to thank you, Ms. Wince-Smith, for mentioning energy. I agree. We have the opportunity with natural gas to change America's manufacturing sector for decades to come here. I wish we didn't have 10 agencies from this President investigating hydraulic fracturing today, which puts at risk this very renaissance that you spoke to. So I hope you all will take back when you talk to the administration that says this is important, and we don't need 10 Federal agencies regulating the industry that has regulated at the State level for years successfully and done no damage to groundwater anywhere, even according to Ms. Jackson from EPA.

But that is a bit of an aside, but it is very important from a manufacturing policy standpoint.

Mr. Mottl, you talked a little bit about the fact that you compete with international companies. Sometimes those are planned economies. I came from the same place. I actually was in sort of the same business. I ran a company that did CNC milling and lathes. I actually—you probably wouldn't want me to make your part, but I won't hurt anybody around a CNC lathe.

But then you wandered off into a space that I am a little bit concerned about. I wanted to get your thoughts. You said, well, they are planned, so we should do something about that. What is it you would suggest? I give you—you talked about in the context of solar, and so now this administration has a subsidized solar technology, and then now is making it even more expensive at creating a tariff barrier for entry of solar products that we now have a belt and suspenders trying to prop up this particular sector. Is that the kind of thing that you think helps your business or another manufacturing company, or the kinds of policies that would help?

Mr. MOTTL. Well, it is a tricky issue, and I can't say if I would agree that that is the right route. I think we need to look at what the right route is, bring in experts and figure that out.

My point being that certain countries will do whatever it takes to make that industry compete, and how do we address that? I don't know the exact answer. But they will do whatever it takes.

From my perspective, why are my largest customers deciding that it is no longer competitive to assemble and build their electronics and telecom housings here? It is primarily government policy in other countries who are making it that much more competitive. I have been told that my subcomponents are competitive even with China's labor. I am very efficient——

Mr. POMPEO. Sure.

Mr. MOTTL [continuing]. But when my largest customers simply choose to move their entire assembly operations out of this country because they say it is no longer competitive to do business here, there is nothing I can do about that.

Mr. POMPEO. I appreciate that. I would just suggest that oftentimes those policies that those countries engage in do impact manufacturing here, but they are really good for American consumers; that is, that we end up with affordable projects that people want and buy, and products that are very affordable. When we put tariff barriers, we are simply driving up the very cost of the thing that we want.

So I can it is tricky, and maybe that is why we can get this group together, and they can help us figure a way through this.

With that, Madam Chairwoman, I yield back the balance of my time.

Mrs. BONO MACK. Thank you, Mr. Pompeo, and thank you for your work on this issue.

And recognize Mr. Guthrie for 5 minutes.

Mr. GUTHRIE. Thank you very much. Appreciate being here.

My background is manufacturing. I grew up, my dad worked for Ford. When I was in high school, they shut the plant down. So my dad decided—he started on the factory floor during the union, worked his way through college kind of thing, and after they shut the plant down, he said, well, Ford is going to outsource, and I know how to make them. Maybe I will start a business and make them for myself.

So he started a business. After I got out of the Army, I worked with him until I came here for about 20 years building a business. So, I know aluminum die cast factories that do a lot of tool and die—tool and die companies.

And the one thing—and the shock that is always kind of around my public policy, things I have been interested in, was I remember I showed up for high school football practice the first day of my senior year in high school, and people were saying, "What are you going to do this year?" And I said, "Well, I want to go to West Point, I want to go to college." I remember a friend of mine saying, "Well, I got a friend that can get me on at Ford." And that was a legitimate economic decision for an 18-year-old to make in 1981 in our hometown. If somebody could get you on at Ford, you would make more money probably than I would going to college.

By the time we graduated, the plant was shutting down.

And so I think you hit the point about trying to find skilled labor particularly is that you can make a really good living in the—middle-class living in manufacturing, and I think what we are all longing to bring it back so we can have the high school graduates go make a middle-class living, but it is difficult to do that if you don't bring a certain skill. So I think that has got to be an important part of the mix, and I think a lot of that happens in State governments and community colleges and technical colleges.

But people need to know there are $27-an-hour jobs out there. You don't have to go to college to get them, but you do have to bring something to the table in order to get that kind of wage.

So that is just something that has always been on my mind. And that is why I love manufacturing, love seeing products made. Not just manufacturing. We were doing a hydro down in my district, and I was climbing over it the other day. And it is just you see people working and building something that is going to make a difference, and that is important. And I think we need to do what we can, if this bill is the right direction to go, to come up with not picking winners and losers, but what is the government doing to prevent people from winning.

And that is the question, Mr. Mottle, you said that your assemblers—and that was the problem we had. We made end caps for a little electric motor. Well, the electric motor company moved to Mexico, and guess where the die castings went about a year or two later? To Mexico. So we were able to do—we figured out we have to be highly engineered products, and we have to have skilled people build them; if not, the unskilled people will build unskilled small products. So that is what we did and have been successful with it.

But when your assembler says, I can't manufacture here because I am not competitive. So some of that is wages, and we don't want to have Chinese wage rates. I have been over there and seen. We don't want to pay those. And that is not building in a country for us. I mean, it is better for them. It is lifting some of their people up, but that would not lift our people up.

But what else are they saying? I know wage rates is an issue that we need to make sure that—you are paying good wages; you just need people that have the skills, that have the productivity to demand that.

So, what are your assemblers—I know assemblers typically have a lot of labor.

Mr. MOTTL. Yes. Actually, particularly in the telecom industry, a lot of that integration is fairly automated. It is pick and place on circuit boards and assembly. The circuit boards and——

Mr. POMPEO. So labor is not driving their decision?

Mr. MOTTL. I would say it is a portion of that, yes, but I also think that there has got to be—again, I am not running their business, I am guessing here, but I think it has to be a lot to do with the taxes, tax implications, the cost of capital. I suspect that they get some very low-cost opportunities to buy that expensive assembly equipment that automates it and to build those factories to do that. And I think they just get a lot more support from sometimes other countries that are willing to court them.

Mr. GUTHRIE. So they are not just moving to China for low-cost wages. There are a lot of things.

Mr. MOTTL. There is a total package.

Mr. GUTHRIE. Anybody want to talk about that, because if we compare ourselves to China, Germany, Japan and our kind of first-world competitors, and any of you, why does—would we see different that they are doing different that we could do better? Obviously, we have the highest corporate tax rate. You just mentioned that. That is obviously something that has got to be fixed if we are going to be competitive. But anybody want to talk on any of the—let us start from left and go right, I guess.

Mr. SINGERMAN. I would just like to add that if you look at Germany, which is a high-wage, high-benefit, highly unionized country, they are one of the world's most dynamic manufacturing in export-based countries. One of the signature activities that they engage in is a very active apprenticeship program. So they have a very highly skilled level of workforce. And these are people who don't have to go to college, but are ensured of good-quality manufacturing jobs that are stable over time.

One last thing. With the German economy, what the government has done has created a situation in which during times of economic distress, workers are not laid off, but their work hours are reduced. So the dislocation to both the individuals and the firms is reduced, and when the economies pick up again, they can rapidly ramp up their activities without having to go back into the marketplace and compete for additional workers.

Mr. GUTHRIE. And thanks for that.

Ms. Wince-Smith, I think you had a comment on that.

Ms. WINCE-SMITH. Well, I would just add another dimension, building on the comments about capital cost structure and regulatory environments as being very critical, and we are competing on that, that the United States and Brazil are the only two major nations that do not have a territorial tax system. So when U.S. enterprises are producing three times the value of all exports in growing markets in the emerging world—and this is good because these are customers, and we want to have exports—and not being able to repatriate $1.4 trillion in offshore profits because of double taxation, that is certainly something that we need to change.

And I was very interested that a whole group of Brazilian manufacturers said to their President Dilma Rousseff, we have to get a territorial tax system, because Brazil actually owns a lot of manufacturing enterprise in the United States, and they are, interestingly enough, not bringing that money back to Brazil. I hope more of it stays here. So that is one thing we need to do is a territorial tax system.

Mr. GUTHRIE. In the time I have, I want to close. And you are right.

Mrs. BONO MACK. The gentleman's time has expired. Thank you—and then some. But thank you very much.

At this point we do conclude the panel. We are trying to get the next panel in before votes start on the floor, so we all appreciate very much your testimony today. And with that, thank you for being here. We look forward to working with you.

And we will take a very brief recess while we seat the third panel and then begin immediately.

So, thank you again.

[Recess.]

Mrs. BONO MACK. Again, each of our witnesses has prepared an opening statement that will be placed into the record. Each of you will have 5 minutes to summarize that statement in your remarks.

And joining us on our second panel are Jack Fitzgerald, owner of Fitzgerald's Auto Mall. Welcome. And the Honorable Joan Claybrook, president emeritus of Public Citizen, and former NHTSA Administrator. Welcome to you both. Good morning, yes, still. Thank you very much for coming.

With that, Mr. Fitzgerald, you are recognized for 5 minutes for your opening statement.

Mr. Fitzgerald, would please begin your statement?

STATEMENTS OF JACK FITZGERALD, OWNER, FITZGERALD AUTO MALL; AND JOAN CLAYBROOK, PRESIDENT EMERITUS, PUBLIC CITIZEN, AND FORMER ADMINISTRATOR, NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

STATEMENT OF JACK FITZGERALD

Mr. FITZGERALD. Thank you, Madam Chairman, Mr. Butterfield, members of the committee. I am very grateful for the opportunity to be here on behalf of NATA.

I was a car salesmen starting in 1956. That is a long time ago, isn't it? I have been a car dealer since 1966. And I have lived these changes, and on behalf of NAD, I want to say I support 5859 for all of the reasons that Congressman Kelly gave. On behalf of Jack, I want to say that I was probably cheerleading for this regulation in 1972, because I thought, and still think, that even though she doesn't like me, I think she is doing an awful lot for this country, she and Ralph Nader, who is a friend of mine. I get along better with him; and Jack Gillis, whom I like to think is a good friend of mine, too. These people have done good things for this country.

But remember, if you think back—and I am so old, I remember all of these things—but we were rethinking our souls in the 1970s, you know, the Vietnam thing. We were relooking at everything. Nobody ever came to this room to do something bad. The people that passed these regulations and passed laws, they come here to do what you do: the best for the country they can.

And in those days, we had a lot of work to do in terms of automotive safety, gasoline mileage, overall efficiency of our business. So the people that went after us, the industry, they had a war to fight. Some of them still fighting it, but they won. Our cars are vastly improved, they are safer, they are more efficient. They do cost a lot more money, but they are wonderful products.

So I am not here to say anything bad about Ms. Claybrook or the people that got this law. But I would point this out to you. There are lots of ways to get information on cars. My favorite is Consumer Reports, by the way, Consumers Union. This is The Car Book, written by Jack Gillis, who is a disciple of Ms. Claybrook. This one, by the way, was dedicated to you, did you know that?

Well, if you look at how to shop for insurance in this book, this guy gives you—it is a real compilation of useful information for consumers.

I have always been on the consumer side because they buy cars from me. That is rocket science, isn't it? But I believe very strongly in supporting all the consumer endeavors, because they buy cars from me. And there are a couple of pages here, and there is nothing about using that chart that we are talking about. And the reason for that, I used to get it from the insurance companies before the government got involved, and I thought it was kind of neat. You know, it would tell you, purported to tell you if the car you are buying is going to have more damage than the next car that you might choose. The problem is it is all historical and it is arcane, and if you are not an engineer—Ms. Claybrook has made herself into an engineer. She has studied stuff that I would never get to and my customers would never get to.

It just didn't do anything for me. And I used to get the booklets from them. The Highway Loss Data Institute would send that stuff to you for free, or they did years ago. I imagine now you just get it online. I used to get it in the mail and I would make copies of it and give it to my salesmen and say, tell your customers about things like this. They will appreciate it. Well, I don't think my salesmen understood it, I think I probably misunderstood it, and I know the customers just didn't care. They didn't respond a bit.

So, I did not purposely conceal it from them. If you look on my Web site, you will see I don't conceal anything. I would put Consumers Report on there, except they won't let me. But we tell them everything. That is how we do business. That is how I have always done business. And there was no concealing of this information from my customers.

I want to say I think that this country owes a debt of gratitude to Ralph Nader and his army, of which she was one of the leaders, for moving the ball down the field to make us take safety seriously. There is no reason for people to be dying in cars. I am alive today because the government demanded that we have seatbelts in cars, shoulder harnesses. And the car that I total lost was a former car driven by Senator Byrd from Virginia. I used to be a Ford guy and I got the cars from Ford. This was a big Lincoln Continental. I hit an Oldsmobile 98. And I survived just fine because it had an interlock on it and I couldn't not use the seatbelt.

So I will ever say a word in opposition to people who take on the effort to try and improve safety and improve efficiency in our automobiles. It is a tough job. But this regulation is a waste of money. And what is really historic is that you all are going to do something about it.

Mrs. BONO MACK. Mr. Fitzgerald, we need you need to wrap up. I am sorry. We have a vote on the floor. We need to have you conclude, please.

Mr. FITZGERALD. I am very grateful to you for considering this. I have been in this town since 1935 and this is the first time I ever heard of anybody repealing a regulation. I think it is wonderful. I think it is historic. I celebrate it, and I congratulate you for being willing to do it. I thank you.

[The prepared statement of Mr. Fitzgerald follows:]

Testimony of
Jack Fitzgerald
Dealer
Fitzgerald Auto Mall
North Bethesda, MD

Before the
House Subcommittee on Commerce, Manufacturing and Trade

Regarding H.R. 5859, a Bill to Repeal an Obsolete Provision in Title 49, U.S.C, Requiring Motor Vehicle Insurance Cost Reporting

June 1, 2012

Madam Chairman, Ranking Member Butterfield, my name is Jack Fitzgerald. I have been selling cars since 1956, and I have been an auto dealer since 1966. I am the owner of Fitzgerald Auto Mall, with dealerships in Maryland, Pennsylvania, and Florida. I employ 1,200 people.

I commend this subcommittee for holding a hearing on H.R. 5859, a bill introduced by Representative Harper of Mississippi and Representative Owens of New York to repeal a provision in Title 49 that requires the National Highway Traffic Safety Administration (NHTSA) to provide to new car dealers information "that compares insurance costs for different makes and models of passenger motor vehicles based on damage susceptibility and crashworthiness." To implement this mandate, NHTSA annually sends to new car dealers a booklet entitled, "Relative Collision Insurance Cost Information." According to NHTSA, dealers are "responsible for reproducing and maintaining a sufficient number of copies of the booklet in showrooms, so that the booklets can be given to prospective purchasers of new vehicles." The data in the booklet is compiled by the Highway Loss Data Institute (HLDI), and NHTSA does not verify the data.

I support passage of H.R. 5859. First, the information in the booklet is largely useless to inform the buying decision of new car purchasers. For example, according to NHTSA, the booklet "does *not* indicate a vehicle's relative safety for occupants." Thankfully, test data relating to vehicle crashworthiness that consumers can easily compare by looking at the window sticker is available under the New Car Assessment Program (NCAP).

Additionally, the information in the booklet is completely irrelevant to many new car buyers. According to NHTSA, "If you do not purchase collision coverage or your insurance company does not use the HLDI information, your premium will not vary at all in relation to these rankings."

Moreover, the data in the booklet is retrospective, and doesn't necessarily correspond with the new models that have been substantially re-designed for current model years. Accordingly, the few consumers who do access the information in this booklet could be misinformed by relying on data that is not applicable to current models.

In a nutshell, the information in the booklet is of no use to those drivers who do not purchase collision coverage, may contain inaccurate information about the model a prospective car buyer is considering, and is only a small factor overall when an insurance company sets its premiums. Perhaps this is why NHTSA counsels consumers to "contact insurance companies or their agents directly" to "obtain complete information" about what a new car buyer would actually pay in insurance costs, as such information will not be found in this booklet.

Finally, a recent survey by the National Automobile Dealers Association found that 96% of dealers cannot recall any customer ever requesting a copy of the booklet. I have been selling cars the entire time this law has been enforced, and I cannot recall, nor can any member of my staff recall, any customer ever asking for this booklet.

For the past 21 years, NHTSA has spent hundreds of thousands of dollars to produce and mail a booklet practically no one ever asks for that contains information generally unhelpful to new car shoppers. Congress should relieve NHTSA of the burden of complying with this unnecessary statutory mandate by passing H.R. 5859. I note that this bill in no way impedes NHTSA from publishing on its website this data for anyone who wants to access it.

While the savings and burden on business of this statutory mandate may be relatively small, NHTSA will continue to distribute this booklet in perpetuity unless Congress acts. Passage of H.R. 5859 will put an end to this obsolete provision.

I commend Representatives Harper and Owens for identifying government waste and taking steps to end it. I hope Congress will continue to work on a bipartisan basis to clear out the statutory deadwood we all pay for. H.R. 5859 is a good start, and I encourage Congress to identify other obsolete or job killing rules that deserve repeal or revision.

Madam Chairman, I urge passage of H.R. 5859. Thank you for your consideration.

Mrs. BONO MACK. Thank you very much.

Mrs. Claybrook, you are recognized for 5 minutes, please.

STATEMENT OF JOAN CLAYBROOK

Ms. CLAYBROOK. All right. Thank you very much for the opportunity to testify this morning. I am here to oppose this legislation to repeal the important consumer information law, subsection C of title 29, section 32302. What this does is provide consumers with comparative information about motor vehicle makes and models on the costs of repair damage, crash damage.

Auto dealers are attacking this as wasteful and obsolete. And while I appreciate Mr. Fitzgerald's kind comments, I do disagree with him on this legislation. Dealers claim that the consumer never asks for the booklet that it is printed by the agency, the National Highway Traffic Safety Administration, and sent to dealers each year.

First, let's lay to rest the issue of the absence of consumer requests for this booklet. I have no doubt that consumers don't ask for the booklet. They don't ask for the booklet because they don't know it exists. How could they ask for something they don't know anything about?

The consumer information requirement has suffered from a veritable conspiracy of silence. Neither the dealers nor NHTSA make any effort to inform consumers about its existence or usefulness. It is a self-fulfilling problem. The real question is whether consumers want information about differences in insurance costs for different makes and models of vehicles based on differences in damage susceptibility and crash-worthiness.

Has the NADA ever surveyed consumers to ask this question? Apparently not. Would anyone in this room want to speculate about how consumers would respond to that question? There is no doubt that consumers want accurate information about the cost to repair a vehicle they are considering buying because repair costs are a huge part of the expense of owning a car.

Consumers are concerned about car insurance and repair costs, just like they are concerned about gasoline prices. Every Member of Congress knows how sensitive consumers are about that. Why hasn't the gas tax been increased in recent years despite the funding of the needs for the funding of the Highway Trust Fund? It hasn't because Members don't want to touch a sensitive consumer issue. But they are willing to eliminate this particular requirement of consumer information.

It is interesting to note that in today's economic cost information, such as vehicle damageability, it is all the more important, because consumers are struggling to stay afloat financially. Indeed, NADA just last month attacked NHTSA's fuel economy standards saying that they cost too much and make cars unaffordable. But while the dealers are willing to attack fuel economy standards on cars, they ignore cost savings to consumers as they try to eliminate this requirement.

And there is no doubt that the best place for consumers to get and evaluate collision damage information is at the point of sale, at the dealership. That is why the Congress passed the law in 1992 requiring dealers to distribute it. That is why the gas mileage requirement booklet is to be at the dealership. That is why in 2005 Congress added a requirement that information about NHTSA's new car assessment crash test be listed on the Monroney price sticker so that consumers would have this information available when they went to buy the car. What new information does Congress or NADA possess that is persuasive and documents that consumers don't want such information at the point of sale?

It is important to remember that a satisfied consumer is a repeat consumer and dealers, as Mr. Fitzgerald mentioned, should be putting their consumers first. Dealers claim that the current law is a waste of money, but their bill would have NHTSA continue to collect and publish the comparative collision cost information and probably just publish it on the Internet, but not have it at the point of sale.

Much of the cost of this program rests with NHTSA's collection and analysis of the information, and not with sending a copy to each dealership. I would say that in 1991 in the proposed rule NHTSA said that the economic effects of the requirements are minimal and no consumer auto dealer or anyone else objected to the cost of the distribution.

Having NHTSA put the information on the Internet, as the Alliance of Manufacturers suggested yesterday, will do little to inform consumers in the throes of deciding which car to buy when they are in the showroom. Technical and price information must be available to the consumers at the point of sale, and I know that Mr. Fitzgerald is aware of the importance of that.

The dealers claim that the current law is obsolete, but what is obsolete about getting collision insurance cost information by make and model when you buy a new car? As NHTSA pointed out in its proposed rulemaking, insurance data applicable to the collision portion of the insurance premium provided by the HLDI information on average represents 40 to 50 percent of the total premium cost to a car buyer.

The dealers' primary claim for eliminating the statutory requirement is that consumers aren't asking for the information, and that is an issue that is totally within the control of the dealers themselves. This attack by the auto dealers on consumer information about collision damageability is not the first time that NADA has tried to stop this program. As noted in the March 5, 1993 rule, NHTSA asked NADA to allow the agency to use this list of dealerships to expedite the mailing of the insurance cost booklet to the dealers but NADA declined to cooperate and NHTSA was forced to get the information from the Department of Energy consumer gas mileage guide.

Also with regard to the obligation of dealers to make consumers aware of the insurance booklet, in 1993 NHTSA stated to ensure consumer awareness of the availability——

Mr. HARPER [presiding]. We are over time, if you can finish.

Ms. CLAYBROOK. OK, I will. Thank you very much.

I would just say it is very important that consumers get the information from NHTSA, and that NHTSA could improve this information substantially and has not done so, nor have the dealers recommended that it be improved, and I would suggest that that is another important piece of this.

Thank you very much for letting me testify.

[The prepared statement of Ms. Claybrook follows:]

Statement of Joan Claybrook
President Emeritus, Public Citizen and
Former Administrator, the National Highway
Traffic Safety Administration

Before the Subcommittee on Commerce,
Manufacturing and Trade, Committee on
Energy and Commerce
U. S. House of Representatives
Washington, D.C.
June 1, 2012

On H.R. 5648, a bill to Repeal Subsection (c) of Title 49, Section 32302

Madam Chair and Members of the Subcommittee, my name is Joan Claybrook. I am President Emeritus of Public Citizen and former Administrator of the National Highway Traffic Safety Administration.

I am here today to testify in opposition to the proposed bill to repeal an important consumer information law, subsection (c) of Title 49, Section 32302. This section of the statute provides consumers with comparative information, across vehicle makes and models, on the cost to repair crash damage. Auto dealers are attacking it as obsolete and wasteful. Dealers claim that consumers never ask for the booklet that is printed by the National Highway Traffic Safety Administration (NHTSA) and sent to dealers each year listing "Relative Collision Insurance Cost Information".

First, let's lay to rest the issue of the absence of consumer requests for the booklet. I have no doubt that consumers don't ask for the booklet. They don't ask for it because they do not know it exists. How could they ask for something they don't know anything about?

This consumer information requirement has suffered from a veritable conspiracy of silence. Neither dealers nor NHTSA make any effort to inform consumers about its existence or usefulness. It's a self-fulfilling problem. The real question is whether consumers want information about differences in insurance costs for different makes and models of passenger vehicles based on differences in damage susceptibility and crashworthiness.

Has the National Automobile Dealers Association (NADA) has ever surveyed consumers to ask this question? Apparently not. Would anyone in this room want to speculate about how consumers would respond to that question? There is no doubt that consumers want accurate information about the cost to repair a vehicle they are considering buying because repair costs are a huge part of the expense of owning a car .

Consumers are concerned about car insurance and repair costs just like they are concerned about gasoline prices. Every member of Congress knows how sensitive consumers are about gasoline costs. Why hasn't the gas tax been increased in recent years despite the funding needs of the Highway Trust Fund? It hasn't because members don't want to touch such a consumer sensitive issue. And yet, members are willing to eliminate consumer access to key information about vehicle damageability costs, most likely because consumers are not aware of this program.

It is interesting to note that in today's economy cost information such as vehicle damageability is all the more important to consumers struggling to stay afloat financially. Indeed, NADA on April 30, 2012 attacked NHTSA's fuel economy standards alleging that increased costs will make new cars unaffordable for millions of buyers with lower incomes. But while dealers used cost to attack fuel economy standards, but ignore cost savings to consumers as they attack HLDI ratings.

And there can be no doubt that the best place for consumers to get and evaluate collision damage information is at the point of sale—at the dealership. That is why the Congress passed this law in 1972 requiring dealers to distribute the information, and why in 2005 Congress added a requirement that information from NHTSA's New Car Assessment crash tests be listed on the Monroney price sticker on each new car now sold—so that consumers would have the information before making their purchase, while they are considering all the factors, including price and safety performance. What new information does this Congress or NADA possess which is persuasive and documents that consumers don't want such information at the point of sale?

I can understand why car dealers want to keep consumers in the dark about insurance collision cost information. Dealers want to sell the cars they have on their lot. If consumers have access to information about a vehicle that might show expensive repair costs and that discourages a sale, the dealer might lose a customer and a sale.

But it's important to remember that a satisfied customer is a repeat customer. Unfortunately, the reaction of dealers is not to inform and help their customers. Instead, they just want to eliminate such information from the point of sale with the misleading argument that consumers don't request it.

Dealers claim the current law is a waste of money. But their bill would have NHTSA continue to collect and publish the comparative collision insurance cost information, and merely publish it on the internet, not have it at the point of sale. Much of the cost of this program clearly rests with NHTSA's collection and analysis of the information—not just with sending a copy to each dealership. In its 1991 proposed rule, and 1993 final rule, NHTSA determined that the economic effects of the requirements "are minimal". It stated that shipping costs would be about $2.50 per dealership. I would also point out that in comments to the NHTSA docket on the 1991 proposed rule, no commenter, including the auto dealers, specifically addressed or objected to the costs of any of the distribution options outlined in the proposed rule.

If dealers want to cut the government costs of distributing the information, they could receive it by e-mail and reproduce copies in their dealership for pennies. Why have the dealers not made this recommendation? In fact, NHTSA in its 1991 proposed rulemaking on this issue suggested such an alternative—either having the manufacturer or trade associations representing dealers make the booklets available to dealers or have the government supply a sample booklet to each dealer which would make copies for consumers.

Having NHTSA put the information on the internet will do little to inform consumers in the throws of deciding which car to buy when they are in the showroom. Technical and price information must be available to consumers at the point of sale to be effective.

The dealers claim the current law is obsolete. But what is obsolete about getting collision insurance cost information by make and model before you buy a new car? As NHTSA pointed out in its proposed rulemaking in 1991, insurance data applicable to the collision portion of the insurance premium, provided by the Highway Loss Data Institute (HLDI), on average represents about 40 to 50 percent of the total premium cost. The dealers' whole claim for eliminating the statutory requirement rests on consumers not asking for the information at the dealership, an issue that is totally within the dealers control and authority to remedy.

This attack by the auto dealers on consumer information about collision damageability is not the first time the NADA has tried to undermine this program. As noted in the March 5, 1993 final rule, NHTSA asked NADA to allow the agency to use its list of dealerships to expedite mailing the insurance cost booklet to dealers but NADA "declined to cooperate". Finally NHTSA was forced to get the dealer list used by the Department of Energy to distribute the "Gas Mileage Guide."

Also, with regard to the obligation of dealers to make consumers aware of the insurance cost booklet, NHTSA agreed with Advocates for Highway and Auto Safety in 1991 comments on the proposed rule that Sec. 201(e) "affirmatively encourages the dissemination of insurance cost information to consumers". In its 1993 final rule NHTSA stated that "To ensure consumer awareness of the availability of the information, dealers may choose to follow the procedures similar to those they currently use for displaying the EPA "Gas Mileage Guide" or may utilize wall posters or other media displays in the dealership *to announce* that the information is available." (Emphasis supplied). I would be interested to know if any dealership that is a member of NADA displays the booklet as NHTSA intended.

In comments to the NHTSA proposed rule of September 13, 1994, Advocates for Highway and Auto Safety stated that "NHTSA has an obligation to assure that comparative damageability cost information is provided to potential purchasers at vehicle dealerships. Advocates has anecdotal information that indicates that the insurance cost information is not being made available to consumers in many showrooms. This is exacerbated by the fact that the general public is not even aware that the information should be available from the dealer. The agency should investigate the availability of the cost information and require that dealerships display and distribute the information to consumers. Only through such action can the agency assure that the cost information will be provided to all consumers and that it will be factored into consumer purchasing decisions. Assuring that insurance cost information is seen and obtained by every prospective purchaser will advance the agency's information policies."

Apparently NHTSA ignored this sage advice while the dealers continued to avoid affirmatively providing it the information to consumers.

It is important to note that the HLDI data show significant differences among makes and models of vehicles, but NHTSA's booklet explains that insurance prices vary based on other data as well and that consumers should check with their insurance company on the costs of coverage overall. That alone is important information for consumers to have and to consider in buying a new car.

In addition, consumers would benefit from NHTSA testing of bumper and overall vehicle damageability performance. Such performance data by make and model (similar to New Car Assessment Program (NCAP) data on safety performance) would be a great addition to NHTSA's HLDI booklet. Rather than falsely tear down the existing information available to consumers, the NADA should suggest ways in which such consumer information could be improved. The dealers could start by providing a copy of the booklet with the comparative damageability information to each customer.

Overall, reputable polls show that consumers crave specific and clear information about the performance of vehicles before making a purchase. The efforts of the auto dealers to deny ready access of consumers to damageability data runs completely contrary to what consumers in fact want.

Let me suggest the dealers respect their customers and work to get them more vehicle performance information, and support safety improvements for consumers, rather than automatically opposing government programs that help families make the second most expensive decision most consumers will make in their lives.

Thank you for the opportunity to testify.

Mr. HARPER. Thank you both for your testimony. I will now recognize myself for 5 minutes for questioning.

If I could, Ms. Claybrook, certainly thank you both for being here, but in your opening statement, your remarks, you stated that there was a veritable conspiracy of silence on this. And I guess my question would be, this law goes back to 1972. They were supposed to have this by 1975. You were the Administrator from 1977 to 1981. It is not implemented. NHTSA doesn't issue a final rule to implement this mandate until March 5, 1993. So how do we call it a veritable conspiracy of silence when NHTSA didn't even implement it for more than 20 years?

Ms. CLAYBROOK. Well, that is the conspiracy of silence, because they didn't actually implement the law. And I will say that in the absence of having the insurance information available, which finally got produced by the Insurance Institute for Highway Safety with its HLDI program, it is called, then finally there was information available to use. But the Department of Transportation did not have such information available and did work during my administration to try and figure out how to do that.

Mr. HARPER. But you would agree that delay did include 4 years with you as the Administrator of NHTSA?

Ms. CLAYBROOK. It did. It did. I would have liked to have been there longer and I would have taken more care of it.

Mr. HARPER. When you look at the information, and this information that we are talking about, which is a very small part of our regulatory structure here, when we are looking at it, it is just measuring and showing the actual property damage, the cost of the repair for that vehicle. It doesn't factor in the other things such as bodily injury or things of that in the insurance picture, is that correct?

Ms. CLAYBROOK. That is correct. It could, but the law does not require it to do that. But the crash worthiness data is available with the new car assessment program that NHTSA implemented that I started, and it is in fact in the 2005 law now at the dealership itself also on the Monroney price sticker.

Mr. HARPER. But the information that we have in the booklet that NHTSA prepares is not verified information. They just use the information that is provided by the Highway Loss Data Institute, is that correct?

Ms. CLAYBROOK. The Institute for Highway Safety, which is the insurance industry.

Mr. HARPER. Right. Which in that they include all the factors of costs that might impact, not just the crash, the repair cost of the cars, but the other things that are on there also.

Ms. CLAYBROOK. Right. They do.

Mr. HARPER. And so this is why we are looking at this one regulation that is just a minor point that really doesn't tell us. And even in the information that NHTSA prepares and you are certainly familiar with on here, it clearly states that therefore to obtain complete information about insurance premiums, you should contact insurance companies or their agents directly.

Ms. CLAYBROOK. Right, that is correct. And I think that that alone is a great piece of information for the consumer to have. And I know that Mr. Kelly, who testified earlier, said that he tells people to call their insurance agent. But in fact most dealers don't do that.

Mr. HARPER. I yield back my time, and right now I will recognize Mrs. Schakowsky for questioning.

Ms. SCHAKOWSKY. Thank you so much. I appreciate your actually charming testimony, Mr. Fitzgerald, and I wanted to say that I think I have been a consumer advocate for about as long as Ms. Claybrook has been and we have worked together on many things, and I have to tell you, I was not aware of this document, and now having become aware of this document, I am even more interested. And let me give you an example.

I am looking at a copy of it now, nicely color coded, which actually the NHTSA one is not, and perhaps the presentation of that document could be made more consumer friendly so people would understand.

But if I am buying a car, let's say I had a teenage driver so insurance costs are really very expensive. And I look at the Chevy Malibu, and for all coverages it is at a 94, which is below the mean in terms of the various safety features and the collision costs, et cetera. And in the same category of four door models is the Kia Optima, which is 134, so above the mean in the cost, and that is 38 points difference. And when I look at bodily injury liability, the difference is 56 points between the Chevy Malibu and the Kia Optima. I would be interested to know that so that I could be forewarned.

So my question really to you, Ms. Claybrook, is can you tell us exactly what are the benefits to the consumer of having, and I think in a much more consumer friendly way, at the point of sale this kind of information? To me it seems very important.

Ms. CLAYBROOK. Well, I think that the information that NHTSA publishes could be drastically improved, and particularly in the collision area. When you buy a new car, you buy collision insurance.

Ms. SCHAKOWSKY. Right.

Ms. CLAYBROOK. And so 40 to 50 percent of the premium is collision insurance of your new car. So that is why this is important, because it is going to tell you that there is going to be vast differences between collision insurance for one model versus another model.

Ms. SCHAKOWSKY. Right.

Ms. CLAYBROOK. That is the real importance of this in this particular format.

I issued a standard for a 5-mile-an-hour no-damage bumper. It was eliminated by the Reagan administration. It is now 2 ½ miles, which doesn't mean much of anything. It allows damage. So if there were a really strong regulation, which there should be, to protect vehicles in damageability, this would be less important. But there isn't. This is the only thing that is available to the consumer on damageability of the vehicle. That is why it is so important. And I am disappointed that the——

Mr. HARPER. If the chair may interrupt just to inform, we only have a minute left for votes on the floor. If you would like, we can come back.

Ms. SCHAKOWSKY. No, we don't need to come back. I think that the point has been made, and certainly in the written and the oral testimony, that this is useful consumer information if it is made more accessible I think to consumers.

Ms. CLAYBROOK. I think that rather than eliminating it, I think it would be much more important for NHTSA to bite the bullet and make it more useful.

Ms. SCHAKOWSKY. I agree. Thank you.

Mr. HARPER. The gentlelady yields back. I want to thank each of you for being here today, and remind members they have 10 business days to submit questions for the record and ask the witnesses to please respond promptly to any questions that you may receive.

The hearing is now adjourned.

[Whereupon, at 11:55 a.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

Statement of Rep. Ed Towns (NY-10)
Before the U.S. House of Representatives
Energy and Commerce Committee
Subcommittee on Commerce, Manufacturing and Trade.

Friday June 1, 2012

Thank you Chairman Bono Mack and Ranking Member Butterfield for holding this legislative hearing today on two bi-partisan bills offered by our colleagues, H.R. 5865, the "American Manufacturing Competitiveness Act of 2012, and H.R. 5859, a bill repealing motor vehicle insurance cost reporting.

I am proud to have supported an earlier version of the "American Manufacturing Competitiveness Act" that passed out of this committee by voice vote in the last congress. Our economy has been slowly but steadily improving over the course of the past several months. According to Peter Hooper, an economist at Deutsche Bank, positive trends are developing in consumer spending,

employment and in the stock market. Our unemployment rate has steadily been improving from a high of over 10 percent in 2009 to where we currently stand at 8.2 percent. Manufacturing has been a major component in this turnaround however we must do more to ensure the future of these jobs in the American economy. In 2010, the U.S. manufacturing sector made up 11.2% of the economy and employed approximately 11.5 million workers. Unfortunately manufacturing in the U.S. economy is smaller than it once was; in 1979 manufacturing made up 21.3% of the economy and employed over 19.5 million Americans. Given these statistics I fully support a call to action by this Congress and the Administration to focus on a manufacturing strategy that will keep the American manufacturing sector viable for year to come. I believe H.R. 5865 is a positive step in the right direction toward this goal. I would like to thank you Chairman Bono Mack and Ranking Member Butterfield for your hard work on this legislation. I also would like to thank Congressman Daniel Lipinski and Congressman Adam Kinzinger for championing this legislation. I look forward to our upcoming

markup in which I hope this legislation can be further improved upon to ensure American job growth and competitiveness in manufacturing remains a vital part of our economy.

H.R. 5859 is a bi-partisan measure that removes a provision requiring motor vehicle cost insurance reporting. NHTSA has been providing this information to motor vehicle dealers since 1993. Unfortunately, few consumers know that this information exists and is available to them, therefore the value of this information is highly questionable.

The President has sought to identify the least burdensome tools to relieve businesses from regulations. I believe H.R. 5859 offered by my colleagues Congressman Gregg Harper and Congressman Bill Owens achieves this goal by repealing this obsolete provision that is severely underutilized.

Thank you Madam Speaker, I yield back my time.

Answers to questions submitted to Joan Claybrook
by the House Commerce Subcommitee On Commerce, Manufacturing and Trade

Questions from The Honorable Mary Bono Mack

Question 1: What is the relationship between safety/crashworthiness and damage susceptibility? Isn't it better for a vehicle to crumple and absorb more damage rather than be stiffer and transfer more energy to the occupants? Is there any way to distinguish between damage susceptibility that is needed for superior crashworthiness and damage susceptibility that is a nuisance?

> **Response to Question 1:** Of course designed-in safety is the most important characteristic for any motor vehicle. But the ability of the vehicle to absorb the energy of a crash instead of the occupant at higher impact speeds is not contradictory with prevention of damage susceptibility in low speed crashes. Repair bills of $2000 to $4000 for a 5 to 10 mile an hour crash in which occupants are rarely injured are unnecessary and can be prevented with proper bumper, materials and front and rear end designs. If a bumper is damaged in a 30 to 50 mph crash and the occupant survives, there will be little complaint about the repair cost of the bumper, especially in comparison to the likely other damage to the vehicle expected in a crash at that speed. By comparison, in low speed collisions, which are far more common of an occurrence and significantly less injurious to occupants, bumpers and other vehicle components should be designed to minimize the cost of repair. But low speed crashes should not result in widespread damage and huge repair bills which are also costly for the purchase of insurance.

Question 2: How would you advise a member of your family or other consumer to weigh crashworthiness and damage susceptibility in making an automobile purchase?

> **Response to Question 2:** I don't think crashworthiness and damage susceptibility are contradictory as stated above. Crashworthiness addresses higher speed impacts that could involve serious injury or death, while damage susceptibility refers to the amount and cost of damage a vehicle sustains in lower speed impacts, which generally do not involve the potential for serious injury. Both these issues are important to consumers and should be considered in the purchase of a new vehicle.
>
> Safety performance in serious, higher speed crashes is a major consideration. However, when comparing cars with similar safety performance, damage susceptibility should definitely be considered as a cost that is likely to be incurred over the life time of the vehicle. Unfortunately the current 2.5 miles-per-hour (mph) federal bumper standard is useless and should be upgraded to at least 5 mph, and preferably 10 mph, the test easily passed by NHTSA Research Safety Vehicle (RSV) in the 1970's.

Question 3: How do you respond to the assertion that the insurance data provided under current law is potentially misleading for newer car models, given that damage susceptibility and crashworthiness are not necessarily correlated and in fact may have an inverse relationship? For example, based on NHTSA's 2012 Relative Collision Insurance Cost Information, a Kia Forte 4 door has a rating of 100 and a 4 door Ford Focus has a rating of 104, meaning the Ford Focus is susceptible to more damage. Yet when a consumer looks at the respective safety ratings on Safercar.gov, it appears the Ford Focus has a higher star rating for safety. How would you advise a consumer to evaluate the information? Which information should a consumer use to make a purchase?

Response to Question 3: First, safety and damage susceptibility do not have an inverse relationship as I explain in question 2 above. Safety protection is needed in all crashes, including particularly high speed crashes. Damage susceptibility is primarily protection against high repair costs in low speed crashes.

Second, in all purchases consumers must make choices. The issue I have raised on behalf of consumer organizations with the Subcommittee is that consumers cannot make choices unless they have the information and the most important place to get the information is at the point of purchase—i.e., at the dealership. That is why Congress in the 1970's required the vehicle damage insurance cost information to be available at the dealer. The dealer only had to receive the booklet from NHTSA and make it available to the consumer—a minor task to say the least. But the dealers are fighting giving the information to consumers when they sell cars. Yet they have not fought the requirements for giving consumers information about gas mileage and the NCAP information on the window sticker. I still don't understand why the dealers oppose giving consumers all relevant information for their new car purchase.

Questions from The Honorable G.K. Butterfield

Question 1:
Supporters of H.R. 5859 argue that the insurance cost information provision at 49 U.S.C. 32302(c) is not needed because the New Car Assessment Program (N-CAP), also known as "Stars on Cars," provides the only information consumers need to effectively compare vehicles. I commend the creation of N-CAP, which occurred during your tenure at NHTSA, but I understand that N-CAP rates crash performance and not damageability.

Question 1.a.: Is that the case? Do you believe consumers would benefit from an additional damageability comparison?

Response to Question 1.a.: You are correct. NCAP rates only safety and not damageability. Consumers would certainly benefit from additional information that compares damageability among makes and models because cost of repair is a major part of the overall cost of owning a vehicle. Moreover, independent testing has shown that there are major differences in repair cost from vehicle model to model among similar types of vehicles, and these differences in costs to repair are not apparent from just looking at the vehicle.

Question 1 continues:
A major source of dissatisfaction with the current law is that the insurance cost information provided does not easily translate into damageability ratings and it is not particularly easy for the average consumer to understand. If you look back at the 1972 law, it seemed to be concerned with damage to vehicles that have been involved in only minor collisions.

Question 1.b.: Is there better information that would help consumers evaluate damageability risk? The Committee Reports for the 1972 law discuss the value of a bumper standard to minimize damage from low-speed crashes. If there were a more robust bumper standard, would we still need insurance cost reporting?

Response to Question 1.b.: You are correct. The 1972 law anticipated NHTSA would issue a bumper standard to minimize damage from low-speed crashes. In fact, I issued such a no-damage 5 mph bumper standard in 1979. But unfortunately it was cut back to 2.5 mph in 1982 and has not been changed since. A strong no-damage 5 mph bumper standard would reduce the need for damage cost information for consumers. A 10 mph no-damage bumper standard is feasible and would be preferable. Of course there are also other parts of the vehicle, such as fenders, hoods and doors that are very expensive to repair from low speed crashes so insurance cost information is always helpful, but it would be far less essential if we had a strong 5 mph no-damage bumper standard.

Question 1.c.: My understanding is that minivans and SUVs are not required to meet the bumper standard. What happens when a car and an SUV hit at five miles an hour? Should car and SUV bumpers be more compatible so minor collisions do not result in large property damage to the vehicles?

Response to Question 1.c.: Minivans and SUVs are not required to meet any bumper standard and thus the consumer has no protection at all. While cars have to protect the vehicle safety systems in a 2.5 mph crash, and the bumpers have to be within a certain height range off the ground, SUVs, Minivans and pickup trucks are not required to meet even these weak specifications. When a car and an SUV or Minivan crash, the car usually suffers extensive damage because the larger vehicle's bumper is higher than the car bumper and it misses the car bumper and strikes the softer car exterior parts, causing extensive damage. There is no federal compatibility standard for different size passenger vehicles but there should be and we urge the committee to require NHTSA to issue a federal no-damage bumper and a federal height compatibility standard that applies to all light vehicles (under 10,000 pounds gross vehicle weight). This would substantially reduce damage and insurance costs to vehicles in lower speed crashes. The compatibility standard would also significantly reduce passenger injuries when larger vehicles strike cars in higher speed crashes.

Question 2:

Congress enacted the Motor Vehicle Information and Cost Savings Act with an expectation that providing insurance cost information at the point of sale would create a market incentive for manufacturers to produce cars that are more resistant to damage and less expensive to repair or service. We know reporting or disclosures can affect change; that is precisely what happened when NHTSA introduced "Stars on Cars."

But that market incentive has not occurred in this case. Supporters of this bill say that 96% of the time, consumers do not ask dealers to produce insurance cost information and it is partly because they don't even know it is available. NHTSA's final rule only requires dealers to make the information available upon request.

Question 2.a.: How would you respond to these findings? Do you think the insurance cost reporting requirement would be more effective if dealers had to hand a copy to each consumer?

Response to Question 2.a.: Yes, insurance cost reporting would be far more effective if dealers had to provide each customer with the damageability cost information. Today most consumers don't even know it's available.

Question 2 continues:
Supporters of this bill argue that the information as presented isn't going to help someone decide between one car that got a 105 rating and another car that got a 110 rating.

Question 2.b.: Can you briefly explain why this information is helpful before you sign on the dotted line? Could the information help consumers avoid purchasing a motor vehicle that is among the worst offenders?

Response to Question 2.b.: Consumers are entitled to have information to make their own choices. For some consumers safety is paramount and they will always choose the safer car. But for others, a small difference in the safety and damageability ratings could give them a larger range of choices among makes and models.

Also, because manufacturers respond to public information about their vehicles, having this information readily available to consumers will cause them to improve their vehicles' ratings on damageability.